Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy ...... L 1300	S. Arabia .. Rls 6.80
Belgium ... BFr 42	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr 6.00	Mexico .. Pes 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.00
India .... Rup 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,765

Tuesday October 29 1985

Botha braces for white backlash at polls, Page 6

World news

Pretoria clamps down on meetings

The South African authorities followed up the extension of the state of emergency to eight magisterial districts in the Cape Town area with a ban on the meetings of 113 organisations in the affected zone.

Most of them are affiliated to the United Democratic Front (UDF), the anti-apartheid umbrella group, but also include the Moslem fundamentalist organisation Qibla, which has been active in the largely mixed race communities of the Western Cape.

Three policemen were killed in the Western Cape when their armoured car overturned while on patrol. Page 6

Uganda peace offer

Uganda's military Government has offered the rebel National Resistance Army equal representation on the ruling Military Council, a demand which has been a main sticking point in peace negotiations, the official Radio Uganda said.

Greens in coalition

West Germany's radical Greens opted to enter a regional coalition government in Hesse. The move gives the ecologist party a share of real political power for the first time. Page 3

Arafat in Amman

PLO leader Yassir Arafat arrived in Amman for crucial talks with King Hussein of Jordan on the future of their Middle East peace initiative. Page 6

Servicemen cleared

The £5m ($7.1m) trial in London of seven British servicemen accused of passing vital secrets to Russian agents in Cyprus ended with the acquittal of all of them.

Israel expels four

Israeli authorities ordered the expulsion of four more Palestinians from the occupied West Bank and Gaza Strip for alleged guerrilla activities.

President again

Veteran Ivory Coast leader Felix Houphouet-Boigny polled his customary 99 per cent of the vote in presidential elections to win his sixth five-year term. He was the only candidate in the one-party state.

Argentine bomb

A bomb damaged a clothes store and gymnasium in a wealthy district of central Buenos Aires shortly after a court had upheld President Raul Alfonsin's right to detain suspected conspirators. News Analysis, Page 4

HK imprisons three

Three Hong Kong men were sentenced in Hong Kong to 12 years in jail for trying to kidnap millionaire newspaper publisher Sally Aw Sian.

Fire hurts 600

About 600 people received medical treatment, mostly for inhaling smoke, after a fire broke out in Mexico City's underground railway system.

Weapons claim

The Soviet Union has chemical weapons in at least 32 East European sites and is ready to fight Nato with nerve gas, the U.S. Defence Department said.

Chinese crackdown

China has shut down almost 9,000 businesses illegally run by Communist Party and government officials. Page 6

Bulgarian curfew

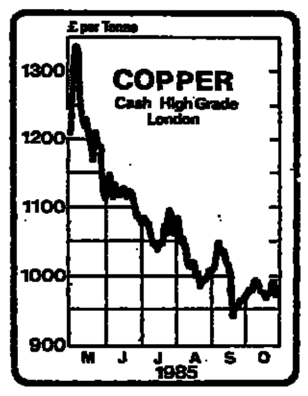
Bulgaria introduced a curfew to ensure that its 1.5m schoolchildren are indoors early at night

Business summary

Chrysler outstrips rivals in quarter

CHRYSLER, U.S. car group, outperformed larger rivals General Motors and Ford in the third quarter, increasing operating and net profits while competitors were undercut by aggressive sales campaigns. Page 19

TRADING on the London Metal Exchange, the world's leading metals market has fallen sharply in the face of the threatened collapse in tin prices. Since the suspension of trading in tin on the LME, last Thursday, business in other metals has dropped by an estimated 30 per cent. Yesterday the copper cash high grade price was down £21 at £968 a tonne. A two-day meeting of the International Tin Council, the producers' and consumers' group, starts in London today. Page 18; Commodities, Page 34



WALL STREET: At 3 pm the Dow Jones industrial average was down 1.57 at 1354.95. Page 42

LONDON: Weakness in gilts marred an active equity trading session. The FT Ordinary share index closed 2.2 down at 1048.6. The FT-SE 100 share index closed 0.2 higher at 1347.8. Page 42

TOKYO: A sharp rally led by blue chip electricals ended two consecutive sessions of declines. The Nikkei market average rose 104.41 to 12,937.04. Page 42

JAPANESE government bond prices continued to fall in thin trading as markets remained nervous about the future trends of Japanese interest rates and the value of the yen. Page 19; Editorial comment, Page 16

DOLLAR was weaker in London, falling to DM 2.643 (DM 2.653), FFr 8.055 (FFr 8.085), SwFr 2.167 (SwFr 2.172) and Y213.5 (Y214.8). On Bank of England figures the dollar's index fell to 130.6 from 130.8. Page 35

STERLING gained ½ cent against the dollar in London to $1.4275. It also improved to SwFr 3.0925 (SwFr 3.09) but fell slightly to DM 3.7725 (DM 3.775), FFr 11.4975 (FFr 11.5) and Y304.75 (Y305.5). The pound's exchange rate index rose 0.1 to 80.6. Page 35

GOLD: In New York the Comex December settlement was $328.7. Gold gained $1 on the London bullion market to $328.75 and was 75 cents higher in Zurich, also to $326.75. Page 34

FINLAND'S smallest commercial bank, Bank of Helsinki, has become the object of a fierce takeover battle between two of its larger competitors Skopbank, the savings bank group, and Union Bank of Finland. Page 19

GUINNESS PEAT, which owns the Guinness Mahon merchant bank, sought to create a new UK financial conglomerate with a £212m ($301m) bid for Britannia Arrow, the banking and investment group in which it already holds 28 per cent. Page 7; Lex, Page 18

CONTROL DATA, troubled U.S. computer maker, reported third-quarter net loss of $255.6m compared with net earnings of $54.5m in the same period last year. Page 18

GENERAL MOTORS postponed indefinitely its plans to take a controlling stake in Enasa, the Spanish manufacturer of Pegaso trucks. Page 19

Nato ministers wary of plans to update N-arsenal

NATO DEFENCE ministers are shying away from plans for a controversial modernisation of the alliance's battlefield nuclear weapons for fear of giving fresh impetus to the nuclear protest movement, writes Bridget Bloom, Defence Correspondent, in Brussels.

The proposal which may be discussed in a secret session of Nato's Nuclear Planning Group of defence ministers opening in Brussels this morning, has been drawn up by General Bernard Rogers, Nato Supreme Commander in Europe.

Presented in outline to the ministers last March, the plan involves the introduction of new short-range nuclear weapons to Nato forces, including the British and West German armies, between 1988–1995.

In return, weapons dating from the 1960s and 1970s would be withdrawn.

The Rogers plan is thus designed to provide for a sizeable reduction in the numbers of battlefield or short-range nuclear warheads in Europe. Some analysts suggest that as many as 1,000–1,500 could go, in addition to the 2,400, out of a 1979 total of 7,000, which Nato already plans to withdraw by 1988.

However, Nato ministers consider the possibility of deploying any new nuclear weapons in Europe to be such a sensitive political issue that they agreed to defer a decision on the whole issue in March, and may well do so again this week.

The Rogers plan neatly dovetails with one of the main agenda items for this week's Nuclear Planning Group meeting – the implementation of the much publicised decision, taken by the defence ministers at Montebello in Canada in 1983, to reduce Nato's short-range nuclear warhead stockpile by 1,400 between now and 1988.

The ministers are expected formally to agree that two categories of such weapons can be withdrawn without jeopardising Nato security. These are the Nike Hercules air defence system, which is being replaced by the non-nuclear Patriot air defence weapon and most of the atomic demolition mines.

These reductions are being presented as more than adequate compensation for the introduction of the new medium-range cruise and Pershing 2 missiles which began in 1983. But given the controversy which surrounded those deployments, ministers are baulking at the prospect of further reductions if they are tied – as Gen Rogers has insisted they must be – to the arrival of yet newer nuclear weapons in Europe.

The principal weapons which would be replaced under the Rogers plan have ranges of between 20km and 500 km, well below those of the cruise and Pershing. The weapons are the Pershing 1A, deployed only in Germany, the Lance missiles, deployed in central Europe by Britain, Belgium, Germany, the Netherlands and Italy, as well as the widely deployed 155mm howitzer shells and the sort of "free fall" bombs carried by Jaguar and Tornado aircraft, which constitute Britain's independently operated short-range nuclear deterrent.

Officials at Nato headquarters in Brussels and at the military headquarters near Mons were at pains yesterday to say there was no question of any of the weapons being re-

Continued on Page 18

Brussels plan would press UK, Greece to join EMS

BY QUENTIN PEEL IN LUXEMBOURG

THE European Commission proposed yesterday that the European Monetary System (EMS) be given the full legal authority of the Treaty of Rome, in a move likely to step up the pressure for Britain and Greece to join the exchange mechanism which links the rest of the EEC currencies.

The plan, presented by M Jacques Delors, president of the Commission, to EEC finance ministers, would also establish the procedure for creating a European Monetary Fund, which could ultimately become some sort of European central bank.

By incorporating the EMS into the Treaty, the Commission would firmly establish the competence of EEC institutions in monetary matters, hitherto regarded by some member states as a subject for separate inter-government and central bank negotiation. It would also give the Commission itself a right of initiative for the future development of monetary co-operation.

Sterling and the drachma could come under renewed pressure to participate fully in the system, because they would have to defend their continued isolation.

However, M Delors bent over backwards in his presentation to reassure the ministers – and indirectly their central bank governors – that the proposals were not intended to undermine national sovereignty in currency matters.

The commission plan was submitted yesterday as a proposed amendment to the Treaty of Rome, whose reform is currently being considered by senior national officials in the so-called inter-governmental conference. It constitutes the monetary arm of a Community reform package put forward by M Delors, including faster moves towards a single common market, and extending EEC competence for subjects such as technology and the environment.

The Greek package of economic austerity measures, including a devaluation and the imposition of wide-ranging import deposits, were yesterday again criticised by EEC finance ministers in Luxembourg. Mr Costas Simitis, the Greek Finance Minister, defended the move and blamed the cost of EEC entry for part of the country's economic problems.

The wording of the proposed amendment has nevertheless been drafted with great care so that currencies like sterling and the drachma which are not full members of the EMS exchange rate mechanism, would not seem to require a derogation from the Treaty to remain outside it.

The plan is still likely to be controversial, especially with the powerful West German Bundesbank, because of the process it could set in train towards autonomous European monetary institutions.

Herr Gerhard Stoltenberg, the West German Finance Minister, greeted it with predictable caution, reminding his colleagues that the Bonn Government was committed to thorough consultation with the Bundesbank before any development of the EMS could be approved.

M Delors, who had promised to present his monetary reform plans to the finance ministers before they went to the conference, insisted: "We are not proposing monetary revolution by institutional means. Nor are we proposing a complete standstill.

"Treaty of Rome amendment should not overturn national rules, but take them into account," he said.

Sig Giovanni Goria, the Italian

Continued on Page 18

IRI moves to depose Italian bank chief

By Alan Friedman in Milan

DR ENRICO CUCCIA, the 78-year-old *eminence grise* of Mediobanca, Italy's powerful merchant bank, was at the centre of a political storm yesterday when the three state banks that control 57 per cent of Mediobanca took the unprecedented step of boycotting the annual shareholders' meeting, causing its abrupt cancellation. The meeting was to have decided on whether to reappoint Dr Cuccia to the Mediobanca board.

IRI, the state holding group which indirectly controls Mediobanca through Banca Commerciale Italiana (BCI), Credito Italiano and Banco di Roma, was directed by the Minister of State Participations to oppose the reappointment of Dr Cuccia; thus trying to end his reign of 39 years of near absolute hegemony over Italian corporate finance.

The IRI banks last week announced they would not nominate Dr Cuccia to another term because he was beyond the mandatory retirement age of 70. Had Dr Cuccia been just another banker that would have been the end of the story. But he is a close ally of Sig Gianni Agnelli, the Fiat chairman, and other leaders of Italy's private sector establishment who also control stakes in Mediobanca.

At a lengthy meeting of the Mediobanca board on Sunday, Sig Agnelli offered to give up his board seat in favour of Dr Cuccia. It has been learned that the state banks rejected his offer.

Dr Cuccia, who is under investigation by a Rome magistrate in connection with an IRI embezzlement scandal from the 1970s, has been Italy's most influential deal maker and financial fixer of the post-war period. With the Agnellis, Pirellis and other members of Italy's financial elite, he has constructed a spider's web of financial power, based on industrial cross-holdings and on the fact that no important deal could go ahead without his personal imprimatur.

The very basis of this complex power structure has been thrown into doubt lately, in part as a conse-

Continued on Page 18

Case to transfer much of tractor output to Britain

BY IAN RODGER IN LONDON

J. I. CASE, the U.S. farm and construction machinery maker, expects to invest £90m ($128m) and create almost 2,000 jobs in Britain over the next five years under a plan to transfer a large part of its manufacturing activity from the U.S. to the UK.

Case officials said they were also looking at the possibility of transferring some production from the U.S. to their plants in France and West Germany as part of the strategy to produce the highest quality, cheapest tractors in the industry.

The plan, which will reinforce Britain's position as the largest maker of tractors in the Western world, will also mean the reopening of a former International Harvester tractor factory at Doncaster in South Yorkshire, and new exports worth about £130m a year by 1990.

The two tractor models being moved to Doncaster will come from the Case plant at Racine, Wisconsin, while the two transmissions, which are used in combine harvesters and cotton pickers, have been made at the former International Harvester plant at Rock Island, Illinois.

The Department of Trade and Industry in London, which is providing a grant to help with the cost of transferring machinery from the U.S. to Doncaster, estimates that by 1990 Case will be buying almost £60m a year in raw materials and components from UK suppliers, including engines from the Cummins Engine plant at Darlington.

Mr Peter Morrison, the junior Industry Minister, said yesterday that this was one of the largest inward investment projects ever seen in Britain. It was also "a vote of confidence" in improvements in Britain's underlying competitiveness, productivity and industrial relations, in the fight against inflation and the reduction in taxation especially on businesses.

Mr Dick Seagrave, senior vice-president of Case for the group's European manufacturing plants, was less specific about the total five-year programme than Mr Morrison. He announced only the first phase, which involved the transfer of production of two tractor models and two transmissions from U.S. plants to the UK. This operation, to be completed in late 1986, would mean investment of £41m and the creation of 300 to 500 jobs at Doncaster, where the former International Harvester plant at Carr Hill, closed in 1982, would be reopened.

Mr Seagrave said these moves followed a major examination by Case of its farm machinery business after its acquisition of Harvester's farm machinery assets early this year. One conclusion was that the company, a subsidiary of the U.S. Tenneco energy and engineering conglomerate, should transfer some production from its U.S. plants to European plants if it was to be world cost competitive.

"By approval of the investment, Tenneco has given Case employees the opportunity to prove that we can beat the Japanese in North America with products made in Europe," Mr Seagrave said.

"Further projects are still in the planning stage for Doncaster which will result in more investment in the next few years," he said. "As we prove that Doncaster costs are competitive, we will create substantial additional employment in our factories."

Mr Seagrave also indicated that the future of the company's two other UK tractor factories, at Meltham, near Huddersfield, and Leigh, near Manchester, previously considered

Continued on Page 18

Warning by BIS on changes to capital markets

By Peter Montagnon in London

A NEW warning that the rapid pace of change in international capital markets "may contain the seeds of future problems" has come from the influential Bank for International Settlements (BIS) in Basle.

The warning, included in the first of a series of regular analytical reports on capital market developments, reflects the deep misgivings held by many of the leading central banks which own the BIS over aspects of the current market revolution.

None the less, the fact that the BIS has chosen to amplify its routine report on international bank lending flows testifies to its belief in the irreversibility of what it calls the "radical change" in international financial markets since 1982. This includes a slowdown in bank lending, an upsurge in bond business and the development of instruments such as note issuance facilities.

Five particular areas of concern are singled out in the report, starting with the split market that has developed in which banks are left doing business with the higher risk borrowers that cannot raise money in the securities markets.

Second, the BIS says that many countries are excluded from the international financial markets at present and ways will have to be found for them to regain access to the marketplace or to find other sources of funds.

Meanwhile, banks are increasingly undertaking off-balance sheet business, for example by underwriting Euronote issues on very thin margins, although this was initially a deliberate strategy aimed at improving their profitability.

The sharp increase in bond market financing over the past few years has also led banks to pile marketable securities on to their own books. This may appear to strengthen their liquidity, but "might cause problems to the banking sector in the case of a general tightening of credit conditions."

Finally, banks and the authorities who regulate them face the difficult task of adequately assessing and providing for the risk involved in the new financing techniques, "a task in which past experience offers little guidance."

Figures provided by the BIS in conjunction with its study show that new business generated by the international capital markets in the first half of this year ran at a record level of $115.5bn.

Details, Page 20

BTR uses convertible bond to enter European equity market

BY MARTIN DICKSON IN LONDON

BTR, the diversified UK industrial holding company, is making the biggest issue of convertible Eurobonds by a British company. It announced yesterday that it was raising $150m and Ecu 170m through a two-tranche issue of paper.

The issue is significant not just for its size but because it is structured in a way aimed at providing particular encouragement for holders to convert their bonds into BTR shares.

The aim of the issue, which is being led jointly by Hill Samuel and Swiss Bank Corporation International, is to raise equity capital while making BTR better known abroad.

It is believed that the company decided to take the convertible bond route after the London Stock Exchange turned down its plans for a direct placing of shares in continental Europe, which would be against the London exchange's rules that existing shareholders should have an equal right to take up an issue of equity.

The London exchange does allow the placing of convertible securities in the European market, provided these do not amount to more than 5 per cent of a company's equity.

In BTR's case the issue will amount to 4.8 per cent of its existing share capital if fully converted. At present only a tiny proportion of its shares are held abroad.

BTR, with interests in construction, engineering plastics and rubber products, has substantial businesses in Europe and the U.S. and the mix of currencies in the bond issue is designed to reflect this.

Other UK companies to have issued convertible Eurobonds include Lonrho, Lasmo, Cadbury-Schweppes and Imperial Chemical Industries, which raised £75m ($107.2m) a year ago in the Eurosterling market.

In BTR's case, the encouragement to convert into shares is partly that the bonds, with a 10-year maturity, have an indicated 4 to 5 per cent conversion premium. This means that they can be converted into shares at a price only 4 to 5 per cent above the BTR share price prevailing when the terms of the bond are fixed. BTR shares closed last night at 380p, up 9p on the day.

Lex, Page 18; Bonds, Page 19

CONTENTS

Europe 2, 3
Companies 19, 20
America 4
Companies 19, 20
Overseas 6
Companies 22
World Trade 5
Britain 7–9
Companies 23, 24, 26
Agriculture 34
Appointments 31
Arts – Reviews 15
– World Guide 15
Commercial Law 31
Commodities 34
Construction 14
Crossword 31
Currencies 35
Editorial comment 16
Eurobonds 19, 20
Euro-options 38
Financial Futures 35
Gold 34
Int. Capital Markets ... 19, 20
Letters 17
Lex 18
Management 12
Market Monitors 42
Men and Matters 16
Money Markets 35
Raw materials 34
Stock markets – Bourses 39, 42
Wall St 39–42
London .. 36–39, 42
Technology 10
Unit Trusts 31–33
Weather 18

Europe: recovery fails to ease youth unemployment . 3
Argentina: Alfonsin finds credibility on the line 4
Technology: researchers seek funds from industry . 10
Management: credit rating of potential customers ... 12
Editorial comment: Japanese markets; air fares ... 16
Japanese bonds: facing a growing dilemma 16
South Africa: impact of black consumer boycott 17
Lex: Britannia Arrow; BTR; Tin; UK coal board 18
Law: delay can affect security for costs 31
Shanghai: Survey .... Section III

EUROPEAN NEWS

Spanish opposition launches manifesto

BY DAVID WHITE IN MADRID

THE CAMPAIGN for next year's Spanish general election began in earnest yesterday when the main right-wing opposition party Alianza Popular launched a manifesto blaming the Socialist Government for failing to resolve the economic crisis and for "confusing a modern, young, dynamic country with a Third World nation."

Sr Manuel Fraga, the party's leader, said the manifesto—entitled "This Can Be Fixed"—was a response to "profound frustration" over the results of Socialist rule.

The manifesto, which has taken more than a year to prepare, contains concrete proposals in fields such as tax reduction and incentives for investment and exports. But it is more a critique of the Socialist model than a programme of specific measures.

Interestingly, it contains no proposals for privatising nationalised companies, calling instead for "reform" of the public sector. Sr Fraga said reform could mean privatisation in many cases, but that some state companies would continue as such.

The manifesto calls for more professionalism, fair competition between public and private companies, drastic cuts in state funds for lame-duck nationalised industries, limits to bureaucracy, tighter control of the state's needs in order to release funds for the private sector, more spending on research and an easing of hiring-and-firing laws.

Other proposals include an end to exchange controls, the scrapping of property tax, lower inheritance taxes, and an amnesty to allow companies in the "black" economy to regularise their situation.

On the issue of Basque terrorism, it calls for "restoring the morale" of Spain's security forces.

Rejecting the planned referendum on Nato, it says Spain should become fully integrated in the alliance and should seek "compensations" for doing so—including over Gibraltar.

While backing Spain's entry to the EEC, the document criticises the farm terms and foresees a "new phase" of negotiations within the Community.

The latest opinion polls, however, show that Alianza Popular's hopes of reaching power are still remote. With 26 per cent of the electorate still undecided, the survey in the daily newspaper El Pais gave the party and its allies a committed vote of barely 13 per cent.

Fabius's aggressive match play called out of court by Press

BY DAVID MARSH IN PARIS

M LAURENT FABIUS, the French Prime Minister, demonstrated at the weekend that he could rival the aggressiveness of the irascible U.S. tennis star John McEnroe, who happened to be in Paris for an exhibition match.

But his performance on Sunday evening in his televised debate with M Jacques Chirac, the Mayor of Paris and leader of the neo-Gaullist RPR opposition party, was judged generally negatively by the Press yesterday.

By making an all-out, but only partly successful, effort to hound and provoke M Chirac, M Fabius may well have strengthened his hand within the Socialist party ahead of the general election in March. In the past he has faced criticism from the rank and file for being too weak. But he may have made a tactical error by breaking with an image of technocratic pragmatism and moderation that he has tried to establish with the electorate since becoming Prime Minister in July last year.

The debate was rich in insults and mutual accusations of failure during earlier periods of the two men's careers. M Fabius was blamed for sharply increasing the budget deficit when he was in charge of the Socialists' initial fiscal reflation as Budget Minister in 1981. M Chirac was accused of producing double-digit inflation when he was Prime Minister under President Valery Giscard d'Estaing between 1974 and 1976.

FRANCE'S eight-digit telephone dialling system has entered service with no serious troubles, writes David Marsh. When the normal Monday surge of telephone traffic took place yesterday, subscribers proved more adept than expected, although 10-15 per cent continue to make mistakes on calls.

The system, intended to increase network's capacity in preparation for new voice and data services, was introduced on Friday night. Officials say the massive advertising campaign preparing users for the switchover appears to have paid off.

But the exchanges brought little in terms of concrete economic policy pronouncements, apart from M Chirac's promise that right-wing government would abolish administrative controls on redundancies.

With neither opponent likely to have strengthened confidence in his statesmanlike qualities among mainstream voters, the overall effect of the debate may be to increase electoral disenchantment with party politics. The beneficiaries of the contest could be the two politicians on the Left and the Right who now most embody dispassionate solutions to the economic crisis, ande are squaring up as the most likely contenders for the presidential election in 1988—M Michel Rocard and M Raymond Barre.

M Fabius, fresh from witnessing a French nuclear test in the South Pacific last week, made it clear from the outset his chief goal was to goad M Chirac. The Prime Minister, overruling appeals from the two journalists refereeing the debate, repeatedly interrupted M Chirac, and condescendingly reminded him at the end that a Prime Minister needed to keep calm in order to govern.

"Nasty" was the way the Left-leaning Liberation newspaper summed up M Fabius's performance yesterday. M Andre Fontaine, editor of Le Monde, said M Fabius had shown a "haughtiness" surprising for a man on the Left which might damage him in the future.

Although he will have won points from more militant Socialists, M Fabius may need more of McEnroe's sophistication and less of his abrasiveness to win the big match next March.

U.S. official in Athens for talks on bases

By Andriana Ierodiaconou in Athens

THE U.S. Under-Secretary of State for political affairs, Mr Michael Armacost, arrived in Athens yesterday for two days' official talks during which he is expected to sound out the Greek Socialist Government's intentions on the future of the four American military bases in Greece.

The Socialists say they are committed to closing the bases when the present five-year agreement for their operation runs out in December 1988.

Mr Armacost is the most senior U.S. Administration official to come to Greece, since the Socialists won a second four-year term in government in general elections last June. According to both sides, his visit will be devoted to a comprehensive review of Greek-U.S. relations.

This is expected to cover, not only the thorny question of whether the bases are to go or stay, but also such issues as labour problems involving Greek workers at the bases; security, both relating to terrorism and to alleged Soviet spying activity in Greece; and bilateral economic and trade relations.

Also expected to be discussed are the stalled sale of 40 American F-16 military aircraft to Greece, and the progress of U.S.-backed United Nations efforts to bring about a peace settlement in Cyprus.

Mr Armacost's two-day programme, today and tomorrow includes a meeting with the Prime Minister, Mr Andreas Papandreou, who is also the Minister of Defence, as well as the Foreign Minister, the Minister of the Interior and Public Order, and the alternate Defence Minister.

The Greek side is attaching high importance to the economic aspect of the talks. Athens is anxious to breathe life into a commitment to develop bilateral economic relations, which has so far remained a dead letter, in Article 10 of the five-year agreement on the operation of the U.S. bases.

The agreement was signed between the Papandreou Government and the Reagan Administration in 1983.

For the U.S. side, the top priority is generally held to be the future of the bases.

Advanced car for Romania

ROMANIA'S Autodacia car company is to introduce a new model next year which it claims will be four years more advanced than foreign cars and uses "no foreign licences, parts or materials," Leslie Colitt reports from Berlin.

The new Dacia 500 will be the fourth car model to be produced in Romania, an achievement no other East European country can match.

Photographs of the new car's prototype show it to have an up-to-date, ultra wedge-shaped, glass-fibre body. The car's weight of only 530kg and its two-cylinder, air-cooled engine developing 22.45hp, help explain the manufacturer's claim that it uses less than 4.5 litres of petrol per 100 km city driving.

The new model is desperately needed by Autodacia because the larger model Dacia is based on a Renault licence for the R-12 which was first produced in the late 1960s.

Reflation possible in Portugal, claims departing minister

BY DIÁNA SMITH IN LISBON

PORTUGAL'S DRASTIC two-year financial stabilisation programme has succeeded to the extent that cautious reflation is new possible, according to the outgoing Finance Minister, Sr Ernani Lopes. He told a seminar for foreign bankers that economic growth would top 2 per cent this year, compared to a 0.5 per cent fall in 1984.

Inflation has declined from a high of 30 per cent in 1983 to a forecast 16 per cent this year. This has enabled disposable income to recover modestly.

Sr Ernani Lopes stressed that the remarkable improvement in the external accounts — the deficit has fallen from \$3.2bn in 1983 to less than \$200m expected this year — is not due merely to curbing imports. Exports have grown by 45 per cent in volume since 1983, compared with 11 per cent between 1980 and 1982.

The governor of the central bank, Sr Victor Constancio, stressed that a change in the composition of exports will enable economic recovery to be made on a more stable basis.

Imports have fallen not only because of recession but to higher agricultural and hydro-electric output, making it necessary to buy less grain and fuel.

Sr Constancio underlined the improvement in Portugal's foreign debt structure. There has been a drop in the short-term ratio from 30 per cent in 1981-82 to 18 per cent now. Total growth of borrowing has also slowed to \$546m, considerably less than planned at the beginning of the year. Thanks to an improvement in the current account deficit, liquid reserves have been built up for the first time in several years.

The effect of EEC membership from January, said Sr Constancio, will give Portugal access to special funds. This is likely to limit borrowing on the market to about \$1bn next year.

He added that Portugal can afford economic growth of 3-3½ per cent next year, with a current account deficit of about \$650m

Swiss right-wingers score surprise local election win

BY WILLIAM DULLFORCE IN GENEVA

THE National Action, a right-wing political group campaigning on an anti-foreigner platform, scored a quite unexpected win in local elections in Lausanne on Sunday.

Coming shortly after the victory of the associated Vigilant group in local elections in Geneva, the result seems to reflect an upsurge in xenophobia in the cities of French-speaking Switzerland.

In Lausanne one in six voters backed the National Action (NA), giving it 16 seats on the city council and making it the third largest group after the Socialists (27) and Radicals (24), according to provisional results.

The NA was not represented in the previous council and had nominated only 12 candidates for Sunday's election; they now have to find four more.

In Geneva the Vigilants placed 19 members, a gain of 12, in the 100-seat city council, becoming the largest group alongside the Liberals. In both elections the only other group to gain ground was the environmentalists.

The vigilants' advance was generally interpreted as reflecting the unique situation of Geneva, where one-third of the population is foreign and the native Genevese have started to resent the shortage of housing, high rents and traffic problems.

The result in Lausanne, where foreigners are much less prominent, suggests there may be other causes behind popular support for the nationalists.

The NA has been campaigning actively against what it claims to be an excessive influx of political refugees seeking asylum in Switzerland, in particular Tamils from Sri Lanka and Zaireans.

It made a breakthrough in local elections in Bern, the capital where 1,200 Tamils had congregated and notched up gains in other parts of German-speaking Switzerland, including Basle.

Coalition vote in Hesse leaves Greens divided

BY RUPERT CORNWELL IN BONN

THE ADVENT of the first ever "red-green" coalition to govern a West German *Land*, or state, is unlikely to heal the deep split within the radical anti-nuclear Greens party over the issue of powersharing with the Social Democrats (SPD).

This was clear yesterday, only hours after an often heated meeting of Greens from Hesse voted by a two-to-one majority to enter an SPD-led state administration which, for the first time in two years, will command a clear majority of the 110 seats in the assembly.

The meeting was marked by the argument between the party's two wings, the so-called "Fundamentalists" and the "Realists." The former reject any sort of deal with other parties; the latter believe that only by holding office will the Greens be able to put some of their policies into effect.

Sunday night's vote was itself taken in defiance of a recommendation here by the Greens' federal committee, the party's senior constitutional body after the annual national conference, to reject the coalition proposal, on the grounds that it could fatally diminish the credibility of the Greens as an anti-establishment movement.

Herr Jan Kuhnert, a dissenting Green member of the Hesse parliament, said yesterday he would vote against the new government when it takes office in a few weeks. He accused his colleagues of falling into the trap set by Herr Holger Boerner, Hesse's SPD Premier, aimed at the gradual destruction of the Greens in the state.

The main consequences of the deal are likely to be in the field of the environment. Herr Joschka Fischer, the 37-year-old former Bundestag deputy who will hold the Hesse environment portfolio for the Greens, declared yesterday that he would insist that existing environment controls are observed strictly.

While the threat of tighter curbs is the principal reason for the abuse heaped on the Green-SPD agreement by big business in recent days, the new coalition is already weighing upon party tactics here, as the run up begins for the federal elections due in 1987.

Chancellor Helmut Kohl is only the latest senior conservative politician to point to the *Hesse agreement as proof of* how the SPD, and Herr Johannes Rau his likely opponent for the Chancellorship in 1987, could not be trusted in their assurances that the Social Democrats would not do a similar deal, if necessary, to regain national power.

***INFLATION* in West Germany has again fallen below 2 per cent, writes Rupert Cornwell. According to provisional figures, prices in October were only 1.7 per cent above the level of 12 months earlier. The figure, which confirms West Germany as the Western country with the lowest inflation rate, is the best since September 1984, when the rate briefly touched 1.5 per cent. In August this year inflation stood at 2.1 per cent.**

TOMORROW'S SPACELAB MISSION WILL TEST COMMERCIAL POSSIBILITIES

West Germany takes major leap into space

BY PETER MARSH

WEST GERMAN scientists and industrialists will be turning their attention towards the heavens this week on the occasion of the country's first major space mission, an event that could pave the way for space factories.

The country is paying DM 400m (£105m) to use Spacelab, a manned orbiting canister crammed with scientific experiments and owned by the US for an eight-day mission due to start tomorrow.

Spacelab is due to fly around the Earth roughly 130 times inside the cargo bay of a U.S. space shuttle while its crew of astronauts conducts scientific experiments. The crew of eight (the largest yet for a single space mission) includes five Americans, two West Germans and a Dutchman.

According to the West German Ministry of Research and Technology, the trip represents the first step in mapping out the shape of commercial space ventures in areas such as low-gravity materials' processing and biology experiments.

Although the 76 experiments on the Spacelab flight are mainly the work of university scientists, West German industry is beginning to show interest in materials' experiments in the heavens.

One indication is that a group of West German companies—Wacker Chemie, MAN, Krupp and Standard Electrik Lorenz—is collaborating with academic scientists in some of the experiments on this mission, code-named D-1.

Wacker, a leading supplier of silicon, wants to find out if low gravity makes it possible to grow large, near-perfect crystals of semiconductors. Krupp, meanwhile, thinks that the company's metallurgy researchers could benefit from work in observing, for instance, how different mixtures of metals behave under weightlessness.

Joint venture

Of greater long-term significance *may be the formal* establishment, last week of Intospace, a Hanover-based joint venture involving several giants of West German industry such as MBB Erno, Volkswagen, Daimler Benz and BMW.

Intospace, whose other large shareholder is Aeritalia, the Italian aerospace company, plans to act as a marketing agency to tempt manufacturing companies to try out space as a place in which either to do experiments or to set up prototype process plants.

For instance, the company will attempt to act as a bridge between government agencies that will operate the $12bn international manned space station, due to be built under U.S. leadership in the 1990s, and companies which could use the facilities of orbiting workshops to turn out new products.

Intospace's other shareholders include Kali-Chemie (chemicals), Preussag (minerals), Hans Kolbe (pump builder), Kienbaum (consultants), Kayser Threde (which plans to market sounding rockets) and two banks, Commerzbank and Nord Deutche Landesbank. MBB Erno and Aeritalia are the two main stakeholders with 8 per cent each; the others own between 0.5 per cent and 4 per cent.

Matra and Aérospatiale, two French aerospace companies, have indicated they want to take part. Companies from other countries may join later. Aerospace companies are allowed to take a total shareholding only of 38 per cent, with the rest reserved for user industries.

Herr Juergen Witte, marketing manager at MBB Erno, said Intospace would probably not build its own space platforms but would use hardware owned by government organisations, including the U.S.-owned Spacelab and Eureca, an unmanned space platform under construction by the 11-nation European Space Agency (ESA).

Reunion

This week's Spacelab flight will in some ways be a sentimental reunion between West Germany and Spacelab itself. The orbiting canister was built under West German leadership as an ESA project in the 1970s. MBB Erno in Bremen was the main contractor and the West *German taxpayer contributed* about half the $750m required.

Under an agreement with the U.S., however, Spacelab was then handed over to the U.S. National Aeronautics and Space Administration. The orbiting workshop has been into orbit three times on previous shuttle flights. The first mission, in November 1983, was a joint exercise between the ESA and Nasa while the other two were *all-American flights.*

For D-1, West Germany is paying Nasa DM 170m (£45m) for the hire of Spacelab and for the costs of launching a space shuttle. The rest has paid for scientific experiments and staff salaries.

As part of an agreement with Nasa, the ESA is supplying further experiments which it is paying for separately.

Not the least significant part of this week's launch is that it will double the number of West Europeans to go into space. Two Frenchmen, Jean-Loup Chretien and Patrick Baudry, and a German, Ulf Merbold, have already entered orbit in U.S. or Soviet spacecraft

They will be joined in the history books tomorrow by Professor Reinhard Furrer and Dr Ernst Messerschmid, who are employees of the DFVLR, the West German aerospace research organisation, and Dr Wubbo Ockels, a Dutch physicist who has trained for spaceflight under the auspices of the ESA since 1977.

Recovery fails to ease young people's unemployment burden

Robin Pauley looks at OECD's forecast of job trends for youth

THERE HAS been a startling deterioration in the nature of youth unemployment throughout the world's major economic nations and there is now virtually no hope of reducing appreciably the large number of unemployed young people in these countries in the foreseeable future.

This is the gloomy diagnosis of a special report by the Organisation for Economic Co-operation and Development (OECD) in Paris based on 19 of its member nations.

Between 1979 and 1982 youth unemployment increased by a half in the Oecd countries to an average level of 17.4 per cent. The lowest was Japan at 4.4 per cent and the highest Spain at 36.9 per cent with Britain at 23.1 per cent.

Only in the U.S., where there has been dramatic job growth, is there much hope on the employment front.

Overall unemployment in the OECD area other than the U.S. is expected to continue rising. It increased from 19m in mid-1984 to 19.5m in mid-1985.

In the four major West European countries — Britain, France, West Germany and Italy—the unemployment rate for young people continued rising from 21.1 per cent in 1983 to 22¼ per cent in 1984 and 22¾ per cent in 1985.

"In short, contrary to all past experience with youth unemployment in the OECD area, the current economic recovery is not expected to yield appreciable dividends in increased employment opportunities for young people in most OECD countries, or reduced unemployment rates."

The organisation concluded that new policies were needed for the young including new education and training strategies and alternatives to work; to cope with the long-term intractability of the problem.

Since the OECD first starting analysing youth unemployment in 1977 "the youth unemployment crisis has changed in its nature in four important respects."

● Unemployment for disadvantaged youth, particularly the disabled, has increased and spells of unemployment have become longer for them.

● Unemployment among better educated and better trained youth has increased making it difficult for them to find secure jobs. Most of their difficulty stems from too many people seeking too few jobs but they also seem to be victims of "widespread structural mismatches."

● Labour force participation rates have dropped in nearly all countries, most markedly for teenagers, and education enrolment has risen. . . .

● As youths move into their 20s their employment experience is not improving, contrary to past experience, raising the spectre of a *high-risk* generation—"a cohort of young people born between the late 1950s and mid-1960s" which could transform today's youth unemployment problem into tomorrow's adult unemployment problem.

The report called for additional education and vocational training and skill-training better directed at those jobs and employment sectors which are expanding.

It also called for an increase in employment either through job-sharing or through the reduction of marginal labour costs through, for example, sub-minimum wages for youth or through wage subsidies, although it underlined the fact that there were also disadvantages with all such schemes.

But, as the OECD analysis indicates that high youth unemployment is here to stay for several more years at least, the report also called for new policies on alternatives to unemployment making spells without work more productive for individuals and society

The basic proposal might be a youth allowance paid as a right to all young people not in fulltime employment to give them a financial base. They could then undergo more education or training or pursue a variety of initiatives and pastimes outside the workforce.

Such an approach to a youth guarantee would transform the present stigmatised safety net approach to welfare payments to the non-working young.

The efforts and energies of the young could be directed by an additional means-tested living allowance to those in full-time education or training, or undertaking some form of youth service.

If social integration were a serious objective other benefits might be provided — half-price travel and entry to institutions, clubs and entertainment for everyone up to the age of 21—and adequate housing.

The cost of such an approach could be financed partly by substituting the youth allowance for the existing range of subsidies and payments aimed more or less at youth. These include student scholarships, subsidies to employers, unemployment and welfare benefits, allowances to parents of dependent children over 16, free or subsidised post-compulsory or university education.

The scheme would still require net extra expenditure in most countries depending on the type of scheme developed but the youth bulge is growing older and most countries are starting to see a decline in the population in the 16 to 18 age group "so the present time may be a favourable opportunity," the report said.

"The final cost would need to be weighed against the seriousness with which society regards the youth problem. It would certainly meet many of the concerns felt about youth."

New Policies for the Young; OECD; 2, rue-André-Pascal, 75775 Paris Cedex 16.

YOUTH UNEMPLOYMENT IN SELECTED OECD COUNTRIES
(Percentage of total youth labour force)

	1983	1984	1985*	1986*
Youth unemployment rates				
U.S.	16.4	13.3	12¼	12½
Japan	4.5	4.9	4½	5
West Germany	10.8	10.1	9¾	9
France	21.1	26.1	29	31
UK	22.7	21.8	21¼	21
Italy	32.0	34.1	35¾	37
Canada	19.9	17.9	17½	17
Spain	38.9	44.5	46½	46½
Youth unemployment levels (millions)				
Seven major countries	9.2	8.5	8¼	8½
Four major European countries	4.2	4.3	4½	4½

*Estimates

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

AMERICAN NEWS

Alfonsin under pressure to explain siege declaration

BY JIMMY BURNS IN BUENOS AIRES

THE CREDIBILITY of Argentine President Raul Alfonsin's Government has been put on the line in the run-up to Sunday's midterm congressional and local elections.

This appears to be the main outcome of the events of the last week which began with the linking of six military officers and six civilians to a "destabilisation campaign."

The week climaxed in an unprecedented tug of war between the democratic authorities and the judiciary following the surprise declaration of a state of siege on Friday.

The order on Tuesday to arrest the 12 initially struck public opinion as a bold and necessary step by a government that was being shown up as impotent in the face of a wave of bomb attacks against military and civilian targets.

But the appearance of purpose and resolution implicit in this first clampdown on serving hard-line military officers since the Government took power in December, 1984 has proved a two-edged sword.

Within hours leading jurists vociferously challenged the Government's decision, turning the ruling Radical Party's professed respect for human rights, the constitution, and the rule of law on its head.

The presidential decree had no legal precedent in its violation of three articles of the constitution which state quite clearly that no Government, however politically justified, can detain suspects without trial without first declaring a state of siege.

In fairness to the Government, the initial decree was less a conscious re-run of methods practised regularly by former military regimes than the product of legal confusion and political miscalculation made under pressure of events.

Government officials appear to have been initially influenced by recently approved parliamentary law which declared as a crime any attempt to destabilise a democratically elected government.

The arrest of the 12 was ordered only after a careful analysis of the options that were open to the Government. The main consideration appears to have been to thrash out a formula that would effectively put a stop to the bombs without doing anything that would unduly alarm domestic and international opinion.

The Government was particularly worried about the impact a declaration of a state of siege might have on its image abroad since the success of its foreign policy on issues like the Falkland Islands depends fundamentally on the regime being viewed as democratic.

It was also felt that such a drastic move would be quickly exploited by the opposition which has accused the Government of turning Argentina into an authoritairian controlled democracy, Mexico style.

Last Tuesday night Sr Antonio Trocolli, the Minister of the Interior, declared: "We shall avoid a state of siege and a serious disturbance that this would signify for the electoral campaign."

By Friday the Minister had been forced to eat his words. A state of siege — officially "in defence of democracy" but also as a way of providing a foolproof legal case — was declared after a judge had ruled the initial arrests unconstitutional "for lack of evidence."

Yesterday, an appeals court ruled that the state-of-siege decree empowered President Alfonsin to order arrests. Following this ruling, President Alfonsin is hoping that the embarrassing battle with the judiciary is over.

The Government has taken comfort from the fact that Western governments led by the U.S. have rallied quickly in its support — an indication that any future attempt to topple democracy in Argentina will count on few allies.

On the domestic front most politicians have accepted that the measures will have only a limited scope and will not affect basic civil liberites or the holding of elections.

Nevertheless, there remains a lingering perception of a week during which a government somewhere along the line came dangerously close to losing its hold on things.

The crisis, moreover, has left unresolved the question mark which still hangs over the real nature of the perceived threat. As a result Sunday's elections remain overshadowed with uncertainties.

Government officials have so far preferred to hint only in private rather than clarify anything in public, throwing an element of potentially dangerous confusion into the already heated election campaign.

The most plausible conspiracy theory is that those arrested had been working closely with sectors of the right-wing Press to exploit current military disquiet with the human rights trial of the former juntas.

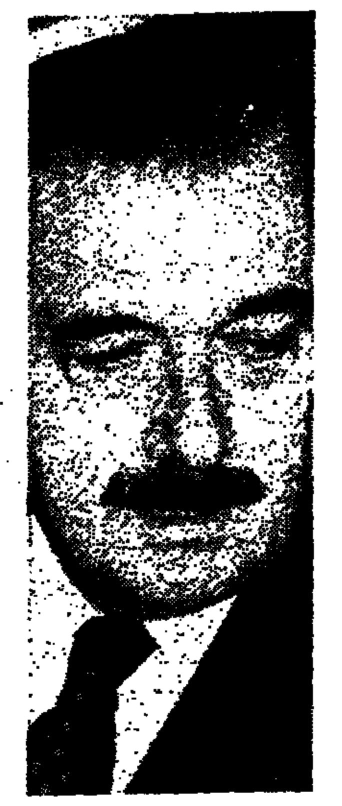
Nevertheless, most political observers here discount the possibility that the wave of terrorism can develop into a successful coup. Though clearly unhappy with the trial of the juntas, the bulk of the armed forces are reluctant to assume the responsibility for the social chaos and diplomatic isolation that would almost certainly follow a more widely organised intervention at this stage.

Fresh debate has been fuelled, however, by the fact that the Government has so far held back from further arrests against the unpredictable lunatic fringe. One theory is that the arrested officers were acting under orders from more senior members of the military hierarchy, whom the Government has preferred to leave untouched for the moment for fear of provoking a wider conflict with the armed forces. This is the result, critics say, of a lack of Government resolve to push ahead with military reform, particularly inside the intelligence forces.

The continuing hesitance suggests that the Government wants to await the outcome of Sunday's vote before deciding how to deal with the armed forces.

The other theory is that the Government has exaggerated the conspiracy to ensure that its civilian population rallies behind President Alfonsin

Like the boy who cried wolf too many times, the Government is facing increasing pressure from the Opposition to define when a plot is really a plot and not simply a touch of Machiavelli.



Alfonsin . . . concerned about his country's democratic image

Blue-collar pay rises slowly in U.S.

By Stewart Fleming in Washington

INFLATIONARY pressures from U.S. wage settlements for blue-collar workers are continuing to abate judging from the latest data on major collective bargaining settlements in private industry released yesterday by the Bureau of Labour Statistics.

Some economists fear that the modest pace of blue-collar wage increases, which are running below the rate of inflation could become a drag on the economy especially if inflation were to accelerate in response to the decline in the dollar.

These concerns are tempered however by evidence that many white-collar workers are still being awarded more generous increases than those being secured by industrial workers.

The Government said yesterday that major collective bargaining contracts in private industry during the first nine months of 1985 provided average wage increases of 2.3 per cent in the first contract year and 2.9 per cent over thet life of the contract, normally two to three years.

The last time management and labour set wage levels in the sectors covered by the figures, average wage increases of 3.8 per cent for the first year of the contract and 3.4 per cent for the life of the contract were agreed.

The latest survey was conducted among the 1.6m workers who signed agreements between January and September of this year, a group which included trucking, apparel, construction and electrical machinery manufacturing workers.

Of the 1.6m workers, 1m received increases averaging 4.2 per cent in the first year, 531,000 had no wage change, while the remainder in the construction industry will suffer wage cuts.

Separately the Government reported that productivity in the third quarter as measured by output per hour of all workers rose at a seasnnally adjusted annual rate of 3 per cent. This was significantly better than the gains of 1.5 per cent in the second quarter, in spite of a sharp slowdown in annual rates of productivity growth in the manufacturing sector from 6.8 per cent to 2.4 per cent.

Oilfield finds raise Brazilian hopes of self-sufficiency

BY ANDREW WHITLEY IN RIO DE JANERIO

THE DISCOVERY of two major oilfields in deep waters near Rio de Janeiro has raised Brazil's proven reserves by 75 per cent. The finds could also guarantee this previously large importer of crude oil self-sufficiency by the end of the decade.

Located in waters ranging between 820 and 3,600 feet in depth, the discoveries will, however, be a challenge technologically. The deepest offshore oilfields in production worldwide—in Brazil's Campos Basin and in the Gulf of Mexico—are in water depths of around 1,300 feet.

The two new fields are known by the code numbers of their key wells, 219 and 305. Both are large by world standards, with combined recoverable reserves of more than 1.5bn barrels, equivalent to nearly seven years' domestic consumption.

To bring them on stream Petrobras, the state oil company, is planning a substantial increase next year in its exploration and production investment programme, reversing a recent downward trend.

According to Sr Helio Beltrao, the Petrobras president, spending in 1986 will reach about $3bn (£2.1bn) compared with between $1.6bn and $1.7bn this year. The previous peak in Brazil's oil production drive was in 1982, when the company's exploration and production budget reached $2.87bn.

Since then the oil sector has had to bear its share of the successive cuts in state spending

According to Petrobras, leading foreign concerns such as Brown and Root of the U.S. will have a role to play as consultants, but equipment orders are expected to be placed almost exclusively with Brazilian offshore industry companies, who are facing a shortage of business.

Local companies such as Mendes Junior and Montreal Engenharia are already responsible for 95 per cent of supplies to the Brazilian offshore oil programme.

Both of the new fields are located on the fringes of the Campos Oil basin, already by far the largest oil producing region.

Oil with a specific gravity of 21 degrees API, a heavy grade but said to be flowing easily, was first struck in Field 219 in February this year. But the field's full potential of over 1bn barrels of recoverable crude was only recently confirmed.

There is greater uncertainty over the size of Field 305, located on the northern edge of the Campos Basin. But Sr Wagner Freire, exploration director of Petrobras, said last week it certainly contained over 500m barrels, with an API of 29 degrees. The largest Brazilian field in production—the Namorado in the Campos Basin—is believed to contain 250m barrels

Brazil is currently producing over 600,000 barrels per day, two thirds of its needs.

A decision to go ahead with the development of 305, which is in shallower waters than 219 and thus presents less of a challenge to technology, is likely to be taken in early 1986, according to Sr Freire.

Machine tool orders fall 7%

By Terry Dodsworth in New York

ORDERS for U.S.-made machine tools fell sharply last month from their level of a year ago, according to the National Machine Tool Builders' Association. This means they have declined for three consecutive months.

Although deliveries have increased in the quarter by 12 per cent from their August total to $242.5m (£169m) orders were down by 7 per cent on the previous month to $171.7m. Compared to a year ago, they fell by 40 per cent.

Analysts also see the downward trend as a threat to robust growth in the U.S. economy next year, when many economists have been predicting an upturn from this year's record of low growth.

If the present trend continues for the rest of 1985, it is unlikely that the machine tool industry will be able to top the annual orders of $2.9bn achieved last year.

Wheeling-Pittsburgh workers end strike

BY PAUL TAYLOR IN NEW YORK

WHEELING - PITTSBURGH'S 8,200 U.S. steelworkers have begun returning to work ending a three-month-old strike at the nation's seventh-largest steelmaker.

The return, which ends the first major U.S. steel strike since 1959, came after workers ratified a wage and benefits package cutting Wheeling-Pittsburgh's already below-average wage rates by 16 per cent to $18 (£12.60) an hour from $21.40. The U.S. industry wage and benefits packages average between $23 and $24 an hour.

The wage pact, seen to be a key test for the still beleagured U.S. steel industry, is also crucial to Wheling-Pittsburgh's new management's attempts to return to financial health.

The steelmaker filed for protection from its creditors in April this year after talks with its bankers on restructuring $514m in long term debts broke down. The company's steelworkers later went on strike after the company attempted to impose wage cuts. Last month Mr Allen Paulson, Wheeling-Pittsburgh's biggest shareholder, took control of the steelmaker in a management reshuffle involving the resignation of Mr Dennis Carney, the company's controversial former chairman.

Union ratification of the contract—by almost a four-to-one margin—came over the weekend after a federal bankruptcy judge over-ruled objections to the agreement filed by Wheeling-Pittsburgh's 11 creditor banks

Wheeling Pittsburg said yesterday that a "skeleton crew" returned to work Sunday and that it expects to begin steel production early next week.

The agreement, which comes after months of tense negotiations, also provides for the company's federally-backed pension plan to be abandoned and replaced by a cheaper version.

The existing pension plan was underfunded by $426m which means its termination will leave the federal Pension Benefit Guaranty Corporation to make up the bulk of the deficit.

U.S. group halts sale of drug

By Tony Jackson

U.S. drug company Warner-Lambert has suspended sales worldwide of its anti-arthritis drug isoxicam, which has been reported to cause skin inflammations.

The drug, first marketed three eyars ago, is on sale in France, Germany, Switzerland, Austria and Belgium, and in some countries in South America and the Far East. It has not yet received official clearance in the UK or the U.S.

Under the Vectren brand name, isoxicam is claimed to have a 6 per cent share of the French non-steroidal anti-inflammatory market for the treatment of arthritis. Complaints about the drug's side effects have come mainly from the French authorities.

The drug has been associated with erythema multiforme, an inflammatory skin condition often caused by a hypersensitivity reaction to drugs. In the severe form of Stevens-Johnson syndrome—also associated with isoxicam — the condition has been known to be fatal.

UK uncertain over resuming talks on China nuclear plant

BY ROBERT THOMSON IN PEKING

BRITISH Embassy officials are uncertain when the British side will return to the negotiating table to discuss the construction of a $4bn (£2.8bn) nuclear power plant in southern China, while French officials and Framatome of France are still talking to the Chinese about their participation in the project.

A British delegation, including representatives of GEC and the Government, left Peking late last week after having failed to reach an agreement with the Chinese on the price of turbines and other equipment that GEC had been earmarked to supply, in a complementary package with Framatome, for the plant at Daya Bay, in Guangdong Province.

An embassy spokesman said yesterday that "We hope talks will resume as soon as possible," though he could give no indication as to when that would be.

The Chinese are understood to have pressed for a discount of about 25 per cent from GEC, as well as better credit terms.

Officially, the British have called their departure from the negotiations a "pause," and say the two sides are closer to an agreed price than they were two weeks ago, when the most recent round of diplomatically sensitive talks — intended to be conclusive—began.

One British observer here suggested that GEC is in a more vulnerable bargaining position than Framatome, as several other companies could provide the turbines for the 1,800 MW plant, whereas Framatome is a leader in the field of pressurised-water reactors.

A French official said the Framatome and French Government negotiators were taking their talks with the Chinese on a day-to-day basis—they talked yesterday, and will talk today and could well talk tomorrow. The Chinese are understood to have pressed the French company for a 20 per cent discount in the reactors, estimated to be worth $1.37bn.

"It depends on the Chinese. The negotiations are still going on. Everybody hopes that the issue will be settled. A nuclear plant is not a simple matter.

Last week, an official from Guangdong Nuclear, which is overseeing the Chinese side of the project, warned that if the outstanding matters were not settled during the present round of talks, then "we will have to reassess the whole situation and possibly find new suppliers from other countries."

The joint venture is shared by Guangdon Nuclear, which has a 75 per cent stake, and the Hong Kong Nuclear Investment company which has 25 per cent. After the joint venture contract was signed in January of this year, the equipment supply contracts seemed to be something of a formality.

But the negotiations have become protracted as the Chinese side has sought price discounts and better credit terms from the British and French suppliers.

When the Chinese Premier, Zhao Ziyand, visited Britain in June, he indicated that China was still keen on GEC providing the turbine equipment, but the company's chances would be enhanced if there was a price cut.

Japan and Brazil in tussle over aluminium project

BY ANDREW WHITLEY IN RIO DE JANEIRO

A TUG of war has erupted between Brazil and Japan over the future of their new aluminium joint venture in the Amazon, the $1.3bn (£1bn) Albras plant—inaugurated only last Thursday

Against the background of the current low world prices for primary aluminium, talks opened yesterday in Rio de Janeiro between Companhia Vale do Rio Doce (CVRD), the Brazilian state-controlled mining company, and a Japanese Government-led consortium of 33 companies.

While the Brazilian side is anxious to complete the project—designed to reach eventually a full capacity of 320,000 tonnes—as soon as possible, the Japanese partners are making no secret of their desire to reduce their investments over the coming years to the minimum.

This week's talks are expected to concentrate on the speed at which Albras will build up from its present installed capacity of 80,000 tonnes to 160,000 tonnes, the end of its first phase, as well as the initiating of the second phase. This will require a further $600m.

Another contentious issue to be resolved is the offtake price for each partner. CVRD is expected to propose that this should be based on the going London Metal Exchange (LME) rate; and, in this start-up phase, the Brazilian company is proposing purchasing all Albras's output at the LME price fob.

Although the new aluminium plant—located about 30 miles from Belem, at the mouth of the Amazon—has come on stream at an unfavourable time from the point of view of the considerable over-capacity in the industry, its administration believes the plant has several important cost advantages over competitor plants in Brazil and abroad.

One ironic consequence of the standstill on work on its associated alumina plant is that Albras has been able to sign an alumina supply contract with Surinam at a much lower cost than it would have had to pay for its own product.

Sr Romeu do Nascimento Teixeira, Albras' president, said yesterday that a three-year alumina supply contract has been signed with Suralco, an Alcoa subsidiary in Surinam, at a price of $125 a tonne—well below the production cost of any new plant in Brazil.

Airlines closer to satellite in-flight links

By Michael Donne, Aerospace Correspondent

THE WORLD'S airlines are moving closer to the use of satellites for in-flight communications by aircraft flying almost anywhere around the world.

The International Maritime Satellite Organisation (Inmarsat), which provides ship-to-shore communications via satellite, is planning to offer such satellite services to airlines from 1987, initially for demonstration and evaluation purposes.

The airlines, through the International Air Transport Association and the International Civil Aviation Organisation, are studying the use of satellites not only for communications but also for future air navigation purposes.

They have set up a committee on future air navigation and communications systems (FANS), to determine what equipment airlines will need to instal in their aircraft to enable them to use satellite systems, and the costs involved.

Citibank in Hungarian venture

By Leslie Colitt in Berlin

CITIBANK of New York and Central Exchange and Credit Bank, of Hungary, will open a joint commercial bank in Budapest next January in the first venture of its kind by Hungarian and American banks.

The bank, in which Citibank has a majority stake, will be able to provide loans in Hungarian and Western currencies to Hungarian companies and to take deposits in forints or Western currencies.

Factoring, which was introduced in Hungary in 1976, is only now beginning to catch on among Hungarian companies. The Hungarian Foreign Trade Bank (MKB) which took over factoring operations from the National Bank last February, has concluded framework agreements with 14 factors abroad.

They assume the risk and expense of collection for Hungarian companies and offer finance by paying the supplier before the bill is settled.

Airlines welcome Malaysia move to end 'flight tax'

BY CHRIS SHERWELL IN KUALA LUMPUR

FOREIGN airlines operating out of Malaysia yesterday welcomed a government decision to end a controversial tax measure favouring Malaysian Airline System (MAS), the national flag carrier.

The measure, first introduced in last year's budget, required people to travel by MAS if they wanted a tax exemption on the overseas trips they received from employers as part of their pay.

The aim was to boost MAS at the expense of other airlines and to stem the outflow of foreign exchange from Malaysia. But it provoked strong protests from foreign governments as well as International airlines.

Last Friday, in his latest budget, Mr Daim Zainuddin, the Malaysian Finance Minister, withdrew the restriction with immediate effect, thereby permitting tax-exempt travel by any airline once again.

"The restriction was introduced with a specific objective," he told parliament without elaborating. "I would like to inform Honourable Members that this objective has been achieved."

One airline representative closely involved in the affair said yesterday he was pleased with the move but concerned that problems "will not be overcome for a while." He acknowledged that MAS had benefited by the tax measure.

New Delhi simplifies electronics licensing

By John Elliott in New Delhi

THE INDIAN Government has simplified industrial licensing procedures for its rapidly-expanding electronics industry in the latest of a series of industrial policy reforms introduced since Mr Rajiv Gandhi became Prime Minister one year ago this week.

A concept of "broad banding" already introduced to give companies more production flexibility in a wide range of industries including motor vehicles, pharmaceuticals and industrial machinery is now to be applied to electronics.

This means that instead of having to apply for a licence for each product and for precise quantities of output, electronics companies will be able to vary their production within five areas or bands: entertainment electronics, electronic toys, computer peripherals, testing and measuring instruments, and discreet conductor devices.

The Government wants electronics output to rise from $1.8bn a year to $10bn a year by 1990.

Yesterday, the Department also announced that it is inviting applications from foreign manufacturers and Indian companies for licences to produce video-cassette recorders and players and import microwave ovens.

India drives a hard bargain on car parts

John Elliott reports on a pace-setting deal India has struck with Suzuki on boosting indigenous component production to cut prices

THE PRICES of spares parts in India for Japanese Suzuki 800 cc cars are to be cut by 25 per cent to 60 per cent this week because of the heavy battering the lively but relatively fragile cars have received on the chaotic streets of New Delhi.

In an internationally pace-making deal, India has persuaded Suzuki to change traditional high price structures for Japanese-made bodywork spares.

These spares are usually in low demand but have been selling at a rapid pace in Delhi since the cars began to be assembled in India two years ago because of a high rate of minor accidents.

Suzuki has also recognised the special needs of a developing country and has agreed to help boost Indian manufacturing by taking equity stakes in companies that will produce components for the indiginous manufacture of the cars.

The price cuts are in response to public opinion in the Indian capital which has reacted against paying £67 for a new windscreen, £116 for a door, or £43 for a front bumper after minor mishaps.

Such accidents would hardly scratch the sturdy bodies and fitments of the country's 30-year-old Morris and Fiat based cars. The damage would be instantly and cheaply patched up in back street workshops, instead of requiring the expensive composite assemblies of a modern car.

"This is the first time Suzuki has agreed to such cuts—but then the accident rate in Delhi for the cars is the highest in the world," says Mr R. C. Bhargava, managing director of Maruti Udyog, the company which produces the vehicles and is 26 per cent owned by Suzuki and 74 per cent by the Indian Government.

He estimates that 70 per cent of all accidents to the cars in India in the past two years have happened in Delhi where the Suzuki's sharp acceleration and disc braking have confused other motorists. Delhi's roads are full of bullock carts, cycles, scooters, slow moving cars, decrepit buses, aggressively jockeying for precedence, all ignoring any Western notion of lane discipline or road courtesy.

The Suzuki was India's first successful automotive manufacturing tie-up with Japan. It has been followed in the past two years by a rush of deals for two wheelers and commercial vehicles involving virtually every Japanese manufacturer. In addition Nissan, Isuzu and Honda, plus possibly Toyota and Subaru — all from Japan —are bidding to produce cars.

From Europe Citroen, Peugeot and Volkswagan are also in the race and BL's Rover car is to be produced soon.

Now the Indian Government is reviewing its production policy. It is worried about persuading the Japanese companies to move from profitable assembly operations using imported kits to achieving targets of about 80 per cent Indian manufacturing within five years.

It also fears that it may be spending too much foreign exchange on a large number of collaborations and that economies of scale will not be achieved.

Suzuki has tried to shift itself out of this controversy with its initiatives on component pricing and manufacturings. Its incentive is that production of the cars and associated light commercial vehicles is running 25 per cent above target at a rate of 40,000 a year after numerous early teething problems over manufacturing and quality.

The main price cuts involve reductions by both Suzuki in Japan and Maruti in India of 25 per cent to 50 per cent on all body parts, including light assemblies, bumpers and car doors, which have been selling faster than traditional high-demand items like spark plugs.

They make up about 50 per cent of £2.3m Suzuki spares sales in India this year and at present are all made in Japan.

The cuts have been organised by switching the body spares from Suzuki's high priced list of slow-moving stock items to its list of fast moving items, which have lower mark-ups.

A new windscreen, for example, is coming down by 55 per cent from £67 to £30.

Further price cuts of about the same percentage points are being made on other spares which have been bought at high prices from Japan to supplement current low levels of production in India.

The Japanese-made parts are now to be used in new models (where they will cost less because of differential pricing arrangements) and the cheaper Indian-made products will be sold as spares.

This will, for example, reduce the price of a radiator by 61 per cent from £118 to £46—the biggest cut being made. A rear lamp assembly is coming down from £43 to £31.

The joint venture manufacturing plans involve a total investment of about £20m to £23m to produce components totalling 18 per cent to 20 per cent of a car's value.

They are a response to sluggish performance by India's motor component industry.

Suzuki and Maruti will both take minority states totalling perhaps 30 per cent of the equity in ventures where Suzuki provides the technology from Japan for products such as fuel tanks, plastic injection mouldines and silencers.

Maruti alone will take a smaller minority stake of about 10 per cent to 20 per cent in other joint ventures for products such as moulding and tempering windscreen glass, steering gear and smaller press shop components.

Both companies expect these joint ventures to make it easier to obtain technology from Japan and to raise money on India's bouyant stock exchanges when funds from the Indian Government are short.

Control over costs and quality will also be more easily exercised.

Domestic content is at present behind schedule. Only about 30 per cent of a car's value is now being produced in India, says Mr Bhargava, instead of a planened 43 per cent.

Next year's figure is expected to be 48 per cent instead of 56 per cent. But Mr Bhargava hopes that the joint ventures will enable the 1987-88 target of 75 per cent to be achieved.

In the meantime a Suzuki Gypsy four-wheel drive model is being launched in December and Suzuki's new 800cc car, which is to be introduced into Europe soon, will appear in India next June.

Mr Osamu Suzuki, the company's president, is showing that he is happier with the venture than most people would have believed possible two years ago by offering a holiday in India and a tour of the Maruti factory to coincide with the launch of the Gypsy as this year's prize for his top 100 Japanese dealers.

Anthony Robinson previews five by-elections to be held in South Africa tomorrow

Botha braced for white backlash at the polls

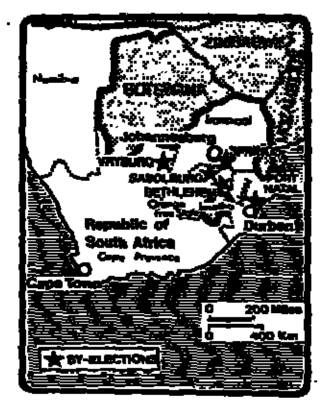
SOUTH AFRICA, *for all its sins*, is still a parliamentary democracy of sorts for the white minority and for that dwindling minority of coloureds and Indians who supported the tri-cameral constitution by exercising the right to vote for their separate chambers *in August* 1984.

While this remains the case, the speed of change and reform in South Africa depends ultimately on what the National Party (NP) Government believes the electorate will support. It is a point often underestimated by the world at large which is pressing for the abolition *of apartheid* and prompt negotiations for the establishment of a multi-racial democracy.

But it is never far from the minds of President P. W. Botha whose NP has ruled South Africa *since* 1948 and which holds 122 seats in the 178 seat white House of Assembly.

Tomorrow the NP is fighting *to maintain its hold over five* parliamentary seats in widely scattered by-elections where it is facing a determined challenge from the two main extreme right-wing parties—the Conservative Party (CP) *and the Herstigte Nasionale* Party (HNP)—and, to a lesser extent from the left of centre Progressive Federal Party (PFP).

Seldom, if ever, has the white, predominantly Afrikaner electorate been as troubled or confused as the present. *After* giving Mr Botha a 66 per cent yes vote in the referendum on the new constitutions in November 1983, whites have



witnessed the collapse of diplomatic hopes of a new relationship *with* black Africa after the Nkomati accords with Mozambique. They have also seen *violent* protests against the constitution leading to a state of insurrection in black and coloured townships *throughout the country.*

The external value of the rand has virtually halved over the last *18* months, inflation and unemployment have reached record highs, foreign bankers have refused to roll-*over credits.*

Calls for sanctions and other foreign pressure on South Africa and overseas reactions *to* graphic, uncensored *reports* of police and community violence in the townships have left South Africans feeling unloved and *misunderstood.*

To top it all, the very same party which swept to power on *a platform* of Afrikaner nationalist fervour and proceeded on a twin policy of raising the economic, social and political status of Afrikaners and erecting a system of racial separation has now *switched to a policy of* apartheid reform and negotiated change couched in terms which confuse many South Africans as much as *foreigners.*

It is a situation which has all the ingredients for a massive white backlash at the polls *which not only threatens* the five by-election seats but would sap the already shaken authority and confidence of the Government and turn hitherto NP strongholds into tenuous marginals.

It would add to the already growing pressure for the resignation of President Botha, put the reform policy on a back-*burner and* increase the temptations for a Brazilian-style take-over by the military and the technocrats.

But will it happen? At the very least the Government is resigned to a massive reduction *in its majorities in the five* seats—Port Natal in Durban, Vryburg in the northern Cape, Springs in *the Transvaal,* and Sasolburg and Bethlehem in the Orange Free State.

Its chances of holding on depend on *divisions among the* opposition is the remaining reserves of loyalty to the NP and the common sense of those *whites who accept the need for* South Africa to change with the times.

In Port Natal the *opposition vote will be split four ways* between the CP, the PFP, the New Republic Party (NRP) and *an independent.*

In Vryburg rivalry between the two right wing parties, the *CP and the HNP, means that it* could still hold the seat on a minority basis although the *right wing* parties are expected *to pick up more votes* between them than the NP.

In Springs, a former gold *mining town, now a depressed* industrial centre with high unemployment, the NP faces a three-way fight with the CP *and the PFP. It hopes* that PFP voters will vote NP tactically to ward off the strong CP challenge from disaffected English and Afrikaner blue collar workers.

Its main problem areas are *Sasolburg, where it faces* a straight challenge from the already entrenched HNP, and Bethlehem, a *farming* and *light industrial centre in the heart* of the once solid NP stronghold of rural Orange Free State, where it faces a direct challenge *from the* CP.

Sasolburg, the only Free State town to be included in *the state of emergency, is the* home of Sasol 1, the original sprawling oil-and-chemicals-*from coal plant, which is* booming on the back of the depreciated rand.

Sasol, and associated chemical and *explosives plants, provides* 9,000 secure jobs and good job advancement prospects for black and white alike.

The black township of Zamidela, with its higher than usual proportion *of* owner-occupiers *and company financed* facilities, has not shared the violence of nearby black communities *like Parys* or Sebokeng in the Vaal triangle across the Vaal River.

But Mr Willem Odendaal, NP *candidate, admits to being a* worried man while Mr Louis Stofberg, HNP candidate, exudes confidence that "the white backlash" will *sweep him* into *parliament* which he left in 1969 when the HNP split from the NP over *multi-racial sport.*

The loss of Sasolburg would set alarm bells ringing, its *retention* will *keep* "*reform*" on the road.

THE South African Institute *of Race Relations* has *just* published its mammoth 991-page 1984 survey of South Africa which, amidst a *treasure trove of statistics* and analysis, shows that the population of South Africa, including all the homelands, is now 32.6m.

This is nearly 6m more than the official figure of 26.7m, which excludes the 5.8m people living in the four "*independent*" *homelands of* the Ciskei, Transkei, Bophuthatswana and Venda.

On the institute's figures blacks make up 74 per cent of the population and whites 15 per cent, against official figures showing 68 black and 18 per cent white with the remainder being Coloureds and Indians.

Cape Town meetings banned

BY OUR JOHANNESBURG CORRESPONDENT

SOUTH AFRICAN authorities have followed up last Friday's extension *of the State of Emergency to eight* magisterial districts in the Cape Town area with a ban on the meetings of 113 organisations in the affected area.

Most of the organisations are affiliated to the United Democratic Front (*UDF*), the *anti-apartheid umbrella organisation*, but also include the Moslem fundamentalist organisation Qibla which has been active in the largely Moslem coloured (mixed race) communities of the *Western Cape in recent weeks.*

Police also arrested a reporter *from* the Cape Times, who was covering a meeting in Elsies River, a coloured community included under *the emergency* regulations. He will be charged later.

The arrest follows a police ban on journalists entering Soweto near Johannesburg which is expected to be followed shortly by the announcement *of further* restrictions *on press* and television reporting. President P. W. Botha is due to speak at a dinner organised by the Foreign Correspondents Association on Thursday.

Police *headquarters* in Pretoria said that new regulations had not yet come into force but referred to the original emergency regulations issued on July 21.

Shortly *after the* State of Emergency was declared, Gen Johan Coetzee, Commissioner of Police, told journalists that these blanket regulations would be held in abeyance for the time being.

Since then, *however*, the police and the *Government* have been severely embarrassed by foreign newspaper and television coverage of violence and police/army repression in the townships which the Government blames *inter alia*, for contributing to *the foreign bankers' decision* to cease rolling over short-term loans and the mounting pressures for sanctions.

This has led to increasingly *strong attacks on* the foreign and *local* press in recent weeks accompanied by the expulsion of a Newsweek correspondent, restrictions on the entry of foreign *journalists* and long *delays* in renewing work permits for correspondents.

China closes 9,000 illegal businesses

BY ROBERT THOMSON IN PEKING

CHINESE AUTHORITIES have shut down almost 9,000 enterprises illegally run by Communist Party and government officials so far this year. *The crackdown is designed to* stop the image of China's economic reform package from becoming tarnished by corruption.

Officials are banned from taking *advantage of their positions in running* a business. Although the Chinese media carries almost daily accounts of high cadres who abused the privileges of power by dipping into the *till* or manipulated contracts through *Guanxi*, meaning "connections."

An official of the Enterprise Registration Office told the China Daily newspaper yesterday that an investigation conducted by his office showed 67,041 party and government officials were involved in business dealings and that 90 per cent of them have since withdrawn *from those activities.*

"The unhealthy practice of party and government affiliates starting businesses has basically been checked and corrected," the unnamed official *said. His assessment* is contradicted by the daily media reports to the contrary.

In Peking, the investigation found that 231 enterprises, ranging from such things as tea houses to furniture stores, had been *started* by party or government officials. Sixty-four of those businesses have been forced to close and 157 others have been required to transfer the ownership of the business.

The state industrial and commercial administration *bureau has also* compiled a report on the subject, according to the China Daily, and found that most of the cadres involved had made no distinction between state administration and business administration, and used "their powers to seek illegal profits."

The report gave examples of a trading company, run by officials which charged customers for colour *television* sets and cars that were never delivered. It also documented several cases of party members establishing a company board, and granting themselves hefty payouts from the company's *funds.*

Arafat in bid to save Jordan-PLO peace plan

By Walter Ellis in Tel Aviv and Our Middle East Staff

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, arrived in Amman yesterday for critical talks with King Hussein of *Jordan* on the future of *their joint* Middle East peace initiative.

The agreement reached by the two leaders on February 11 *has come under severe* strain in recent weeks as a result of the PLO violence in the region and the cancellation of planned talks with the British Government.

Abu Jihad, Mr Arafat's top military aide, said in Amman yesterday that he was confident that the agreement with Jordan would survive the present crisis. "We believe we have a solid base to continue our co-*operation and to preserve the* Jordanian-Palestinian accord."

However, King Hussein has not attempted to hide his anger at *PLO tactics* and *blamed* the organisation directly for the failure of the London talks. At the same time he has found positive aspects in recent speeches by Mr Shimon Peres, the Israeli Prime Minister, who has been urging the King to enter into *direct* bilateral negotiations.

Mr Peres consolidated his new-found political strength yesterday when he broke a *right-wing* Cabinet rebellion aimed at the heart of his current initiative on peace with Jordan.

Several ministers belonging to the Likud bloc in the Knesset had attempted at an inner Cabinet session late on Sunday night, to force Mr Peres to *recant on his willingness to* participate in an international peace conference.

Mr Yitzhak Shamir, the Likud *leader, declared that* Mr Peres had not strayed from coalition thinking on the peace process

Ethiopia's 1986 food problem 'manageable'

BY MICHAEL HOLMAN IN LONDON

ALTHOUGH 5.8m people will need food aid in Ethiopia in 1986, the problem will be manageable provided donor support is sustained, Mr Kurt Jansson, the UN Assistant Secretary-General *who has been in* charge of relief operations in the country, said yesterday.

Mr Jansson, who is leaving his post in the Ethiopian capital of Addis Ababa, *was speaking at a London* press conference where he reviewed the outcome of a massive international aid effort which has sent food and other aid worth more than $1bn since October 1984 and regularly *fed* 8.5m people. By the *end* of 1985, 1.3m *tons* of food will have arrived for famine relief.

At the peak of the crisis last March, the population in and around relief camps was 1m. Today, *the camps are supporting only* 68,000, said Mr Jansson. Although some areas of the country have enjoyed better rains, displaced farmers, without oxen, seed and implements *had not* been able to take advantage of them, and Ethiopia would need aid through 1986.

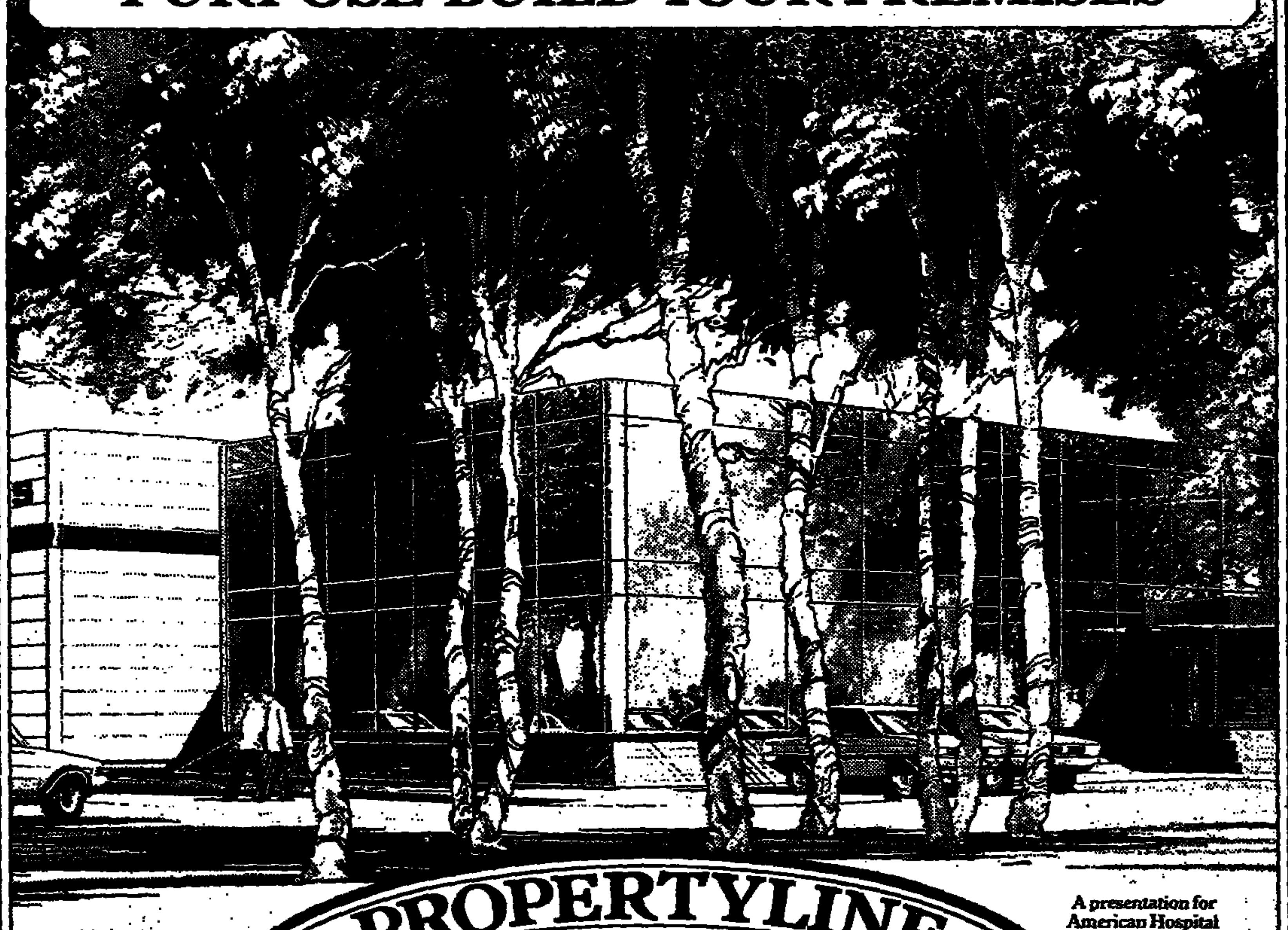
Estimates of food aid required next year vary between 800,000 tons and 1.2m tons. The final amount will *depend on the size of the last* harvest, for which returns are still being assessed.

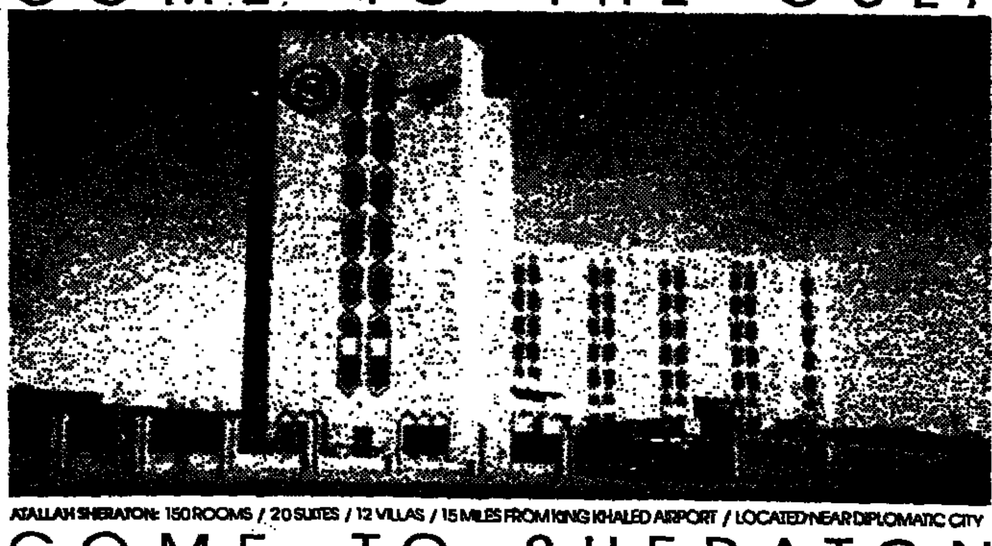
The U.S., which provided 38 per cent of food imports this year, has already pledged one third of 1986 food needs, while the EEC is expected to supply between 20 and 25 per cent, and Canada 13 per cent. The balance will come from Australia, from bilateral commitments from *European countries*, and *a comparatively* small amount from socialist states, said Mr Jansson.

Mr Jansson urged Western governments to support the Ethiopian Government's controversial programme *to resettle upwards of 1m* people, moving them from the worst-hit drought areas of the north to better land in the south and south-west.

Britain, the *U.S.* and *several other governments* have been critical of the programme, arguing that there is coercion and that it is mismanaged.

Mr Jansson criticised the *scheme, under which some 500,000* people have already been moved, as "poorly planned" but he said that unless it was supported "there is a risk of failure" with serious repercussions for the people already *moved.*





Industry may get cut in electricity costs

BY DAVID THOMAS AND MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board (CEGB), has put a proposal to the Government which would mean cheaper electricity for large industrial energy consumers.

The basis of the idea agreed with the National Coal Board (NCB) was first devised last year, but the final details were put to Mr Peter Walker, Energy Secretary, after meetings held under the auspices of the National Economic Development Council. These meetings took place after the chemicals economic development committee had complained to the April NEDC about overseas competitors having access to cheaper energy.

The proposal would mean that large industrial consumers would pay a price for their electricity that would reflect only the marginal cost of producing coal at modern pits – at present about £32 a tonne.

The scheme would only apply to individual sites that consume more than 100 million killowatt-hours a year. They would receive any electricity consumed above this cut-off point at a new cheaper rate.

A confidential CEGB paper estimates that about 60 sites, accounting for some 7 per cent of electricity consumption, could be eligible. About 5m tonnes of NCB coal might be involved each year.

Industries likely to benefit include chemicals, steel, cement and paper and board. Leading companies in this sector have provided the Government with specific examples of how the proposal, if agreed, might help them to preserve or increase capacity.

Mr Peter Walker

According to a confidential note prepared for the Energy Secretary, Pilkington, for instance, has said that the scheme, if it applied fully to it would allow it to introduce new technology in its St Helens sites and increase electricity demand there by between 50 per cent and 400 per cent by 1995. Without some change in pricing arrangements, Pilkington says that such investment would not be considered in the UK.

ICI has made a similar point to the Energy Secretary about investment at its Billingham fertiliser plant, in north-east England.

The proposed scheme is designed to increase electricity and coal demand, and improve the competitiveness of the eligible companies. In the long run, it is designed to place no extra cost on the Treasury, but NCB revenues might be hit in the first year by about £50m.

At a meeting with the CEGB and large industrial users in the summer, Mr Walker said that he would need to seek the support of his ministerial colleagues.

Mr Ivor Manley, deputy secretary at the Department of Energy, is understood to be co-ordinating the discussions that resulted from the meeting with Mr Walker. Senior civil servants at the Treasury, Trade and Industry, and Employment departments are also involved.

Some of the financial obstacles to the cheap power deal are expected to be partly overcome as a result of the annual review of NCB coal prices.

Although no details have yet been announced, it is expected that any increase will be modest and reflect the downward pressure both of world coal prices, expressed in dollar terms, and the increasing efficiency of the NCB.

Minister refuses to list MPs involved in immigration row

BY KEVIN BROWN

MR DOUGLAS HURD, Home Secretary, is to make a statement to the House of Commons today, on the immigration row sparked off by his junior minister, Mr David Waddington.

The statement follows intense pressure from opposition MPs, at what amounted to an instruction from Mr Bernard Weatherill, the Speaker (chairman) of the Commons.

Mr Waddington angered the opposition by alleging during Home Office questions last week that unnamed Labour MPs were abusing the system under which overseas visitors refused permission to enter the UK are allowed in after representations from Members of Parliament.

Mr Roy Hattersley, the deputy Labour leader, was among senior opposition MPs who interpreted these remarks as an attempt by the minister to shift attention away from his earlier controversial suggestion that racial discrimination could be eased by positive discrimination in favour of blacks in public sector contracts.

Mr Waddington tried to defuse the issue yesterday by releasing the text of a long letter to Mr Gerald Kaufman, Labour's home affairs spokesman, detailing six forms of alleged abuse by MPs, and suggesting talks on modifications to the system.

The letter said the number of cases in which representations had been made by MPs had increased from 1,000 in 1980 to some 5,000 in the first 10 months of 1985, and put this year's bill for repatriations at £1m.

Mr Waddington declined to name the MPs involved, however, on the grounds that his allegations were based on confidential correspondence sent to the Home Office.

This view was rejected by Labour MPs, particularly those from constituencies with large immigrant populations.

Mr Kaufman told MPs: "These allegations involve grave issues touching on the honour and integrity of MPs. It is incumbent on the minister either to substantiate his allegations or to resign."

He said the row could not be settled by "some kind of private fix between the minister and myself." He told Mr Waddington: "You have made allegations to the House about unnamed MPs. It will not do for you to say you are faced with procedural problems."

Mr Waddington told him: "I am happy to discuss the matter with you if you wish to press for names. But I suggest you read my summary and then consider whether it is necessary to raise this matter again."

He added: "I would not have been in a position to make the allegations, and I would not have made them, had I not been in a position to identify particular cases of abuse."

Mr Kaufman was backed from the Labour front bench by Mr Alan Williams who said Mr Waddington should have taken advice about the implications of his remarks before making them.

"It is the responsibility of every member of this House to make sure that we preserve the reputation of the Commons. It is a serious matter when a minister makes allegations about abuses of power by MPs."

Mr Waddington was supported by a number of Conservative MPs, including Mr Eric Forth who said there were cases in which overseas visitors who failed to persuade one MP to take up their case had simply gone to another to obtain satisfaction.

But a series of Labour MPs concerned with immigration matters insisted there had been no abuses. These included Ms Clare Short, Mr Jeremy Corbyn, Mr Alf Dubbs, Mr Laurie Pavitt and Mr Andrew Faulds.

As the row rumbled on Mr Weatherill attempted to cool tempers by reminding MPs that every member of the Commons had to take responsibility for his or her own actions.

Mr Michael Foot the former Labour leader, insisted, however, that MPs had a right to question the Government about the allegations. In view of Mr Waddington's response, the Home Secretary should come to the Commons to make a full statement, he said.

Scargill defeated on court contempt issue

BY JOHN LLOYD, INDUSTRIAL EDITOR

MR ARTHUR SCARGILL's leadership of the National Union of Mineworkers (NUM) was successfully challenged from the left yesterday when the NUM national executive voted 11 to 7 to purge its contempt of court in an attempt to regain control of its £8m of funds.

The funds were sequestrated by the High Court after the union failed to pay fines imposed for contempt of court during the year-long miners' strike.

Mr Scargill, who has insisted that NUM conference policy was not to purge the union's contempt, was beaten after a long and vigorous argument.

Leaders from three key left-led areas – South Wales, Scotland and North Derbyshire – sided with the centre and right to ensure that Mr Scargill, and the two other NUM national officials, Mr Peter Heathfield, the general secretary, and Mr Mick McGahey, the vice-president, should do all that was required to regain control of the money in scheduled court cases. The first of these will be on November 14.

This alliance of left and right has emerged after a long period in which leaders like Mr Emlyn Williams and Mr George Rees of South Wales, Mr Eric Clarke and Mr George Bolton of Scotland, Mr Gordon Butler of North Derbyshire and Mr Denis Murphy of Northumberland, have become alarmed over the conduct of the union's affairs.

It is the first time that such an alliance has pushed an issue to a vote within the executive since Mr Scargill became president in April 1982 and it shows a new will to control his leadership.

The executive passed two motions. The first, passed unanimously, was for it to attend the November 14 court hearing when the NUM will seek the lifting of the sequestration order. The second, passed by 11 to 7, was for the union to purge its contempt.

Mr Scargill attempted to take up the first motion as an alternative to the second. He argued that the executive would be in a position to determine whether or not it could accede to the judge's conditions for lifting the union's receivership, without making a prior commitment to purging the contempt.

Neither Mr Scargill nor others at the executive meeting made the argument with great force. The burden of argument, from the majority, was that grass-roots pressure was mounting for the union to regain control both of its funds and of the situation in the coalfields.

Those supporting Mr Scargill included Mr Jack Taylor and Mr Brian Dakin for Yorkshire, Mr Billy Stobbs from Durham, Mr Billy Etherington from the Durham Craftsmen, Mr Jim Colgan from the Midlands and Mr Wes Chambers from Kent.

With the exception of Mr Taylor, these men are all "new left" members of the executive who have come on to the national scene after Mr Scargill's rise to the presidency.

Unity was re-established at a special delegate conference in London which followed the executive meeting. The delegates agreed to continue the campaign for the reinstatement of the 615 miners who remain sacked eight amonths after the end of the strike.

The NUM is to mount a mass lobby of parliament to bring the plight of the dismissed miners to the attention of MPs and of the country. It will ask the Trades Union Congress and the Labour Party to join in the lobby.

Mr Scargill, speaking after the executive meeting and the conference, made it clear that he disagreed with the executive's vote. He said: "My personal position is well known. It is my job now to reflect the decisions of the national executive."

It is not clear what conditions the judge, Mr Justice Nicholls, will put upon the lifting of the sequestration. The NUM is expected to argue that the original case which led to the sequestration has now been lifted; that the original fine of £200,000 has been paid; that the union has suffered more than £1m loss in legal fees and has thus suffered enough.

The judge may seek a full apology, either from Mr Scargill or the national officials, all of whom were NUM trustees when the contempt was incurred.

Guinness Peat makes £212m Britannia bid

BY DAVID LASCELLES, BANKING CORRESPONDENT

GUINNESS PEAT yesterday sought to create a new UK financial conglomerate with a £212m bid for Britannia Arrow, the banking and investment group in which it already holds 28 per cent.

Britannia's board immediately rejected the offer as "wholly inadequate" and against the best interests of the shareholders and employees. Sir Geoffrey Rippon, the chairman, will be writing to shareholders strongly recommending them not to accept it.

Guinness Peat, which owns the Guinness Mahon merchant bank and has wide-ranging interests in insurance, finance and property, is offering Britannia shareholders a choice of shares worth 140.6p or 130p a share in cash, which it claims is 40 per cent more than Britannia's net assets at the end of 1984.

Britannia's shares closed last night on the London Stock Exchange at 140p, up 9p on the day but down from the day's high of 144p. There was strong speculation in the stock market that the offer would be increased or topped by a counter-bid.

The takeover bid marks the culmination of a drive by Mr Alastair Morton, Guinness Peat's chief executive, to transform the once ailing company into a broadly based financial services group. If it succeeds, he intends to develop the combined entity around four businesses: insurance broking, life assurance, fund management and investment banking.

The offer says that Britannia's asset management and life assurance business would fit well with Guinness Peat's investment banking operations. The combined group would enjoy "substantial financial benefits," was well as the opportunity to shelter taxable profits in both the U.S. and the UK because of Guinness Peat's earlier losses.

The terms of the bid take special account of Singer & Friedlander, the accepting house acquired by Britannia only last year.

In the first six months of this year, Britannia made profits of £10.1m pre-tax compared to £14.1m for the whole of 1984.

Lex, Page 18

UK NEWS

Treasury asked to back fund for Eureka work

BY GUY DE JONQUIERES

THE DEPARTMENT of Trade and Industry (DTI) plans to seek Treasury approval for a special contingency fund to help finance Eureka, the proposed European programme of collaboration in high technology.

This appears to signal a shift in the Government's position. It has said until now that while it would be ready to contribute to the cost of Eureka, the money must be found out of its existing technology support schemes.

Mr Geoffrey Pattie, Minister for Industry and Information Technology at the DTI, said in an interview that he hoped a contingency fund could also help maintain in real terms the value of the department's overall spending on science and technology support.

He declined to say how much extra money he would seek, but said it would be "within the bounds of good housekeeping." On present trends, the value of the Department's annual support will plateau in nominal terms and fall in real terms from next year. In the 1984-85 financial year it rose to £376.4m from £332.5m the previous year.

According to the DTI's annual Science and Technology Support Report, published yesterday, aid to industry, chiefly through the Support For Innovation (SFI) scheme, amounted to £239.3m last year. That was 64 per cent of total spending, slightly more than the previous year.

The report says that of the world's five leading industrial countries, Britain devotes the smallest proportion of its gross domestic product to civil research and development (R&D). "This disadvantage in quantity is not offset by any generally greater effectiveness of R&D in Britain," it says.

It says that understanding of key technologies is often inadequate, and Britain's training and education system meets the needs of industry less effectively than in other countries.

Mr Pattie said that Britain's method of controlling public expenditure and split responsibility between different Government departments meant that it had much less flexibility than countries such as France in raising funds for Eureka and similar projects.

"We tend to be cautious, looking thoroughly to see if it's a valid concept, and then find there's little money available in the current year," he said. "Our EEC partners are not as hidebound by departmental divisions as we are."

Mr Pattie remained adamant, however, that the initiative for collaboration in Eureka must come from private industry. "It is not for governments to say that company A must make love to company B," he said.

He also said that direct government intervention could do little to ease industry's problems while many world high technology markets were suffering from weak demand, excess capacity and fierce price cutting. "Many companies are at the bottom of the cycle and trying to sell in over-stocked markets," he said.

Science and Technology Report 1984-85, Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.

Air fares warning after fuel price rises

By Michael Donne, Aerospace Correspondent, in Hamburg

BRITISH AIRLINES are worried about the effects of sharp increases in fuel prices. They have given a warning that the rises could jeopardise efforts to reduce air fares.

Mr Colin Marshall, chief executive of British Airways, said at the annual meeting of the International Air Transport Association (Iata) in Hamburg that one rise in the recent past, together with another to become effective from November 1, had already put 10 cents on to the price of every gallon of fuel bought at London (Heathrow), with smaller increases at other airports overseas, including the U.S. His airline had been told that it would face a further rise soon and possibly another one before the end of the year.

"This means that British Airways will face another £45m to £50m on its fuel bills in a full year," he said. "If the further rises are implemented by the oil companies the rise in our costs would be such that we would have no alternative but to pass these fuel price rises on to our passengers in higher fares, with all that means for our campaigns in Europe to get our fares down."

Mr David Coltman, managing director of British Caledonian (BCal) confirmed that his airline had also paid more for its fuel in the recent past in the UK, Europe and Africa, but not so far in the U.S. He thought further increases were on the way which would add substantially to BCal's costs. Mr Michael Bishop, chairman of British Midland Airways, said his airline had also experienced price increases.

Other world airlines are so far reluctant to comment as openly as the British airlines on fuel prices, but it is understood that some of them have experienced similar increases and that the pattern is more widespread than they are prepared to admit.

Mr Marshall said that there appeared to be no rational explanation for the oil companies to put up prices so suddenly and steeply at a time when the trend had been for prices either to decline or to stabilise. "Since there is no shortage of crude oil, we are led to ask publicly what is going on," Mr Marshall said.

The 10 cents a gallon increase at Heathrow was the biggest so far. At other airports worldwide served by British Airways the increases ranged between 4 cents and 8 cents a gallon with an average of about 6 cents.

Mr Marshall said that British Airways had notified the UK energy secretary about the situation, but no government intervention seemed likely.

Both British Airways and BCal – the UK's main international flag airlines – are concerned that these actual and potential fuel price rises could jeopardise the entire campaign conducted over recent years by the UK Government and airlines to cut fares, especially those in Western Europe.

UK airlines and the Government are at the centre of efforts to increase liberalisation of air transport in Western Europe and bring down fares. Mr Marshall said British Airways was convinced of the need to be more receptive to consumer needs, and to make a positive response to the EEC initiatives for a more liberal and flexible European air transport system.

At a recent meeting in Brussels of the Association of European Airlines to discuss more liberal fares policies, British Airways was in disagreement with most other European airlines, and was unable to persuade them either of the need to react more positively to what customers wanted or to the ideas which had been put forward by the European Commission itself.

Tory MPs criticise gas privatisation

BY MAURICE SAMUELSON

THE GOVERNMENT'S programme for privatising the gas industry will defeat its real purpose of raising its competitiveness, says a scathing report on its energy policy published last night by the Bow Group, a Tory parliamentary pressure group.

The proposed privatisation of British Gas seems more likely to result in a "non-competitive structure" with few commercial constraints over its management, says the paper's author, Mr Rodney Atkinson, a former mechant banker who is secretary of the group's energy committee.

The report, The Energy Policy Mess, is sharply critical of the fact that the gas industry will retain its monopoly status after privatisation. It says that, ideally, the corporation should be split into three separate parts. Offshore production interests should be auctioned, the gas grid should remain a public-sector utility pro tem, and the regional boards should become separate and competing commercial companies, with no restrictions on their commercial activities in other energy sources.

The report proposes safeguards aimed at preventing exploitation of consumers, minimising distortions in the energy market and providing incentives and discipline for the gas corporation.

Its key proposal, for what it calls "a marketised structure," is that, instead of merely establishing a board to regulate the gas industry's operations, the Government should establish an office which would regulate the other state energy industries with which the privatised gas industry will compete.

The regulating office would also prevent manipulation of energy prices by the Government as a means of raising revenue for the Exchequer or, by suppressing prices, buying votes at a general election.

The report argues that a monopoly, even in private hands, would continue to exploit consumers and waste national assets. As a result of its monopoly purchasing power, British Gas had paid low prices to domestic producers and high prices to foreign (Norwegian) producers.

The Energy Policy Mess, by Rodney Atkinson, Bow Publications, 240 High Holborn, London WC1; £4.95.

UK NEWS

Private sector pay awards run at 7.8%

BY PHILIP BASSETT, LABOUR CORRESPONDENT

PAY INCREASES in the private sector are outstripping those in the public sector, according to government figures published today. But absolute pay levels are still higher in the public sector.

Private-sector pay rose by 7.8 per cent in the year to April 1985, according to the Government's New Earnings Survey (NES), while public-sector pay rose by 6.4 per cent. Pay across all industries and services rose by 7.2 per cent.

Caution needs to be exercised in interpreting the NES figures for public-sector pay because of the abnormally large number of delayed or multiple settlements – the NES includes details of these for the first time. But the figures do show a continuing imbalance between pay in the public and private sectors.

Within the overall figure for public-sector increases, nationalised industry employees have done best with rises of 7.5 per cent, with 6.9 per cent in central government and 5.7 per cent in local government.

The level of increase within the public services shows how extensively the Government's cash limit target of 3 per cent pay rises has been breached. The Government is not publishing such a figure for this year's pay round.

While private-sector pay has been rising faster, its absolute levels at the time of the NES survey – a "snapshot" of pay across the economy in one week in April – are still below those in the public sector.

For all male and female, manual and non-manual earnings, average private-sector pay was £170.30, while pay in the public sector was £172.10. The average across all industries and services was £171. Pay in central government was lowest, at £154.30.

Figures for average male manual earnings – often used to denote the "average wage" in the UK – were £163.60. Comparable figures for non-manual employees showed average earnings of £225.

Pay for the top 10 manual jobs showed little change from last year, with foremen still predominating. Of strictly manual jobs, crane drivers – among last year's 10 highest – showed hardly any increase at all, with a rise of only £1.10. Chemical operators and gas fitters are now just outside the top 10 earners, with £203.40 each.

Miners are now back in the NES listings after the strike, but at the time of the NES the mineworkers had not completed their pay negotiations, putting them outside the 10 highest earners.

MALE MANUAL EARNINGS – TOP 10

	April 1985 £
Chemical process foremen	240.50
Electrical installation foremen	231.40
Engineering machine foremen	221.50
Coalmining deputies	218.50
Metal making/treating foremen	215.80
Electrical power plant operators	214.30
Printing machine minders	208.40
Metal pipes foremen	205.80
Product inspection foremen	205.60
Transport foremen	204.50

Directors worried about economy

THE INSTITUTE of Directors yesterday added its voice to the heightened concern expressed by industrialists in recent weeks over the outlook for Britain's economy, **Philip Stephens** writes.

In its latest survey of business opinion the institute says that the number of members who are optimistic about the economy has fallen from more than half six months ago to only a quarter at the beginning of this month.

At the same time, 49 per cent of directors expressed dissatisfaction with the Government's economic strategy, compared with 46 per cent two months earlier and only 28 per cent in mid-summer.

The survey comes a week after a similarly gloomy report from the Association of British Chambers of Commerce. Later today the publication of the Confederation of British Industry's latest industrial survey is also expected to show that high interest rates and the rebound in the value of sterling have severely dented business optimism.

The institute said the declining confidence among its members reinforced its case for sizeable tax cuts in next year's budget to boost spending power and demand in the economy.

Mr Graham Mather, head of the institute's policy unit, said that despite the growth in corporate profits there was no doubt that businessmen were increasingly concerned by the prospect of growth faltering in 1986.

"Companies are expecting investment and export growth rates to weaken as tax allowances are phased out and the effects of a stronger pound begin to filter through. This means that tax cuts in March are a necessity rather than a luxury," he said.

The survey does show, however, that companies have continued to do well over recent months despite their doubts over the future.

About 57 per cent of directors said that they were more optimistic about prospects for their own company than they were six months earlier.

BS gives warning over decline in ship orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT

MORE YARD closures and job losses could occur at state-owned British Shipbuilders (BS) if the market did not improve after the deterioration in orders this year, Mr Graham Day, the chairman, said yesterday.

BS has told the Government that new merchant shipbuilding business in the financial year to March 31 1986 was unlikely to match the 1984-85 total. "What we thought would bite us in 1986-87 has really started to bite us now," Mr Day said.

In the corporate plan handed to the Government in July, BS said orders in 1985-86 should again total about 200,000 compensated gross tonnes, a measurement of both size and work content. But since BS made its forecasts the market has worsened.

Mr Peter Morrison, junior Industry Minister, said yesterday: "British Shipbuilders now believes that it is unlikely to be able to win this level of orders."

The gloomier news about BS's order prospects comes at a time of growing concern among world shipbuilders.

Freight Rover plans Europe export drive

BY JOHN GRIFFITHS

FREIGHT ROVER, BL's panel van-making subsidiary, is to mount a substantial export drive within continental Europe from next year, according to Mr George Simpson, its managing director.

The decision reflects the fact that Freight Rover has increased its UK market share by 75 per cent since 1981, placing it second only to Ford. It feels that the scope for further substantial gains in the UK is limited.

Mr Simpson was speaking before the launch today of a revised range of its Sherpa vans. The changes include what is being claimed as a "world first" on commercial vehicles – springs made of plastic composites which are 60 per cent lighter than metal springs, producing a payload increase of 551lbs.

Freight Rover expects to have exported 1,200–1,300 vehicles by the end of this year, out of total sales predicted to reach 17,500–19,000. This compares with just over 1,000 last year, out of a total of 16,500 sales.

Mr Simpson said there was now a significant need to build up a strengthened distribution network on the European continent.

Freight Rover's export sales – which are mainly in Spain – are handled primarily by associate companies of BL-ARG Espana in Spain and Leyland Vehicules Industries SA, the Leyland Vehicles distributor in France and the Benelux countries. Other countries are handled by independents.

While these arrangements were satisfactory, Mr Simpson said, Freight Rover was looking at "all possibilities" for expanding its continental networks. He did not exclude marketing joint ventures but did not identify possible partners.

Engineering union rejects 3.95% offer

BY DAVID THOMAS, LABOUR STAFF

UNION LEADERS representing 1m engineering workers yesterday rejected an offer of 3.95 per cent on the national minimum rate made to them by the Engineering Employers' Federation.

They indicated that they were seeking a substantial pay rise above the 6-7 per cent level, but Dr James McFarlane, EEF director general, referred to high labour costs in Britain when he made the employers' offer.

He said: "Productivity is improving, but the rate of improvement is still not enough to catch up with, let alone overtake, our overseas competitors."

Rejecting the offer, Mr Ed Scrivens of the engineering union, AUEW, said: "We are disappointed at the meagreness of the offer, against the background of the rate of inflation."

He said the offer would raise the national minimum rate for a skilled worker, rising by £3.60 a week to £100. Individual companies can set rates above the national minimum.

The EEF rejected the three other elements in the unions' four-point claim: for the adult rate to be paid to workers at age 18; for overtime payments to be calculated on the basis of pay rates set by individual companies; and for an additional payment to certain skilled welders.

The union's claim to the EEF usually includes working hours and holidays, but these have been excluded this year because they are being discussed in a separate negotiating committee. The two sides will meet again next month to continue pay talks.

Ramphal clashes over group for S. Africa

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE BRITISH Government and Sir Sonny Ramphal, the Commonwealth Secretary-General, yesterday clashed over the composition of the Commonwealth group of "eminent persons" which is due to be appointed to help promote a dialogue between the Pretoria Government and South Africa's black community.

Mrs Margaret Thatcher, the Prime Minister, who fought off demands from Britain's Commonwealth partners at last week's heads of government meeting in Nassau to agree to comprehensive economic sanctions against South Africa, continues to feel strongly that the group should include some serving government ministers. Sir Geoffrey Howe, the Foreign Secretary, is London's preferred candidate, though other names are also being considered.

Mrs Thatcher believes that only if the group includes at least a certain proportion of serving ministers, will it have sufficient weight to have any influence on the South African Government, officials said.

That is clearly not the opinion of Sir Sonny, who took a completely opposite line in a speech yesterday at United Nations headquarters in New York in honour of Bishop Desmond Tutu, the Anglican Bishop of Johannesburg. The Commonwealth leaders' conference in Nassau did not envisage an inter-governmental exercise, Sir Sonny said.

"The understanding in the Bahamas was that this is to be a group of independent persons acting in their personal capacities on behalf of the Commonwealth as a whole. They cannot be government representatives because no one of them will represent a particular government."

Mrs Thatcher, already intensely irritated by the role that Sir Sonny played in orchestrating the campaign in favour of economic sanctions, is reported to feel that the Commonwealth Secretary-General is again exceeding his powers.

"The membership of the group is not in the gift of the Commonwealth Secretariat," British officials emphasised. The decision lay with the governments who had been named in the Commonwealth Accord reached in Nassau to work out with the Secretary-General how the dialogue was to be organised – Zambia, Australia, Bahamas, Canada, India, the UK and Zimbabwe. Sir Sonny could not veto a candidate put forward by any of these governments.

TECHNOLOGY

EDITED BY ALAN CANE

Drive to earn more from research

THE Natural Environment Research Council is under pressure to step up work with commercial potential as a result of cuts in government funding. In 1983-84, the council received a direct grant from the Department of Education and Science of £62m.

Sponsored research from other government departments, such as the Department of Energy, and from the European Community added £22m to the council's income. Contributions from industry and other organisations made up the remaining £5m of the £89m total budget.

Over the next five years, the council's income from the DES will decrease by 3 per cent a year, according to the assumptions in the body's corporate plan published in February. There is likely to be a similar fall in revenue from commissioned research from other government departments.

According to the corporate plan, over the next five years the council will have to reduce its staff of 3,130 by 800. It will have to spend a greater proportion of its income in grants to university researchers—this sum came to just £4.6m in 1983-84—and less on supporting the council-run research institutions such as the Institute of Terrestrial Ecology.

According to the plan, the council must try to increase the revenue it earns from applied research and development and recruit more staff concerned with this type of activity.

Among the research organisations maintained by the council are the Institute of Virology in Oxford, the unit of Comparative Plant Ecology at Sheffield University, the Reshwater Biological Association in Ambleside, Cumbria, the Marine Biological Association and the Institute for Marine Environmental Research, both in Plymouth, and the Scottish Marine Biological Association in Oban.

The council is also responsible for the British Antarctic Survey, which operates research studies in the Antarctic and neighbouring areas such as the Falkland Islands.

Peter Marsh on Natural Environment Research Council moves to make the most of its special aptitudes

Fungus at the root of the sprucest spruce

A WAY of using fungi to promote plant growth could prove popular with amateur gardeners and help develop desert areas of the Third World.

Scientists at the Institute of Terrestrial Ecology in Edinburgh have cultivated certain types of fungus that speed up the growth of trees and other vegetation. The workers are joining forces with Strathclyde University and the Agriculture Genetics Company (a government-backed group which seeks to commercialise inventions at Britain's Food and Agriculture Research Council) to develop applications for the fungi.

Studies at the institute have shown how to produce biological cultures of the fungi which can be implanted in soils to hasten the development of vegetation. The cultures are developed in laboratories and then transported to fields or plantations as an innoculum.

In soil, the fungi interact with roots of trees and plants to produce mycorrhizas, thread-like network which bring extra nutrients to the vegetation. According to Mr Robert Munro of the Edinburgh institute, which is one of 14 research groups run by the Natural Environment Research Council, mycorrhizas could bring radical change in many agricultural practices.

Increasing growth rates by a factor of two or more by artificial impregnation of roots in soil could help plantations, particularly in infertile parts of the world. The mycorrhizas could also be sold through nurseries to gardening hobbyists. Other customers for the fungi may include local authorities and other organisations which want to see a quick growth of trees, for instance to cover waste tips in the shortest possible time.

Much of the work at the Edinburgh institute has been in identifying the type of inocculum needed to increase the development of particular species of vegetation. For commercial reasons, the institute is unwilling to identify its fungi, which can be grown either in a liquid or in a vermiculite peat.

Mycorrhizas, as scientists have known for decades, form a sheath-like structure around the roots of a tree or plant. Far from curbing development, the structures act as conduits which bring to the plant water and nutrients such as phosphates. Mycorrhizas may also increase trees' ability to tolerate drought, high soil temperatures and abnormally high acidity.

The beneficial relationship between trees and the roots can be spotted easily enough on a woodland walk. Evidence that many trees are surrounded by the mycorrhizas comes from the fruit bodies such as toadstools which may emerge above ground.

Different trees are associated with different types of fungi. The job of the Edinburgh scientists was to find out how specific types of fungi influence the growth of particular trees such as pines, beeches, birch, alders and willows whose development is known to be associated with mycorrhizas.

In recent work, the scientists in Edinburgh have paid special attention to increasing the growth of Sitka spruce seedlings in infertile soils.

The Natural Environment Research Council, which has an annual budget of about £90m (most of it from government sources), is anxious to increase the £5m or so it earns annually from consulting work in industry. The council took space at a recent technology transfer exhibition in Birmingham to tell the world about its work.

Other examples of links between institutes run by the council and the commercial world include:

- Pollution monitoring. Scientists at the Institute for Marine Environmental Research in Plymouth are designing instruments to monitor concentrations of organic and inorganic molecules in water. A particular type of instrument measures the electrical charge on organic molecules such as aromatic hydrocarbons, common pollutants of which benzene and phenanthrene are examples.

The hardware uses peculiar membranes made of lecithin—a substance belonging to a class of fatty substances called lipids. In the hardware, the membrane wraps around a mercury electrode. Because the lecithin has a high affinity for hydrocarbons, the membrane attracts hydrocarbons to the electrode which measures its charge.

The Water Research Centre, a set of laboratories run by Britain's water industry, is among the organisations interested in the commercial possibilities of this work.

- Offshore surveying. In conjunction with the Harwell Laboratory, the British Geological Survey has conducted tests with instruments towed behind boats to measure the radioactivity of rocks on the sea bed. The instruments are modified scintillation counters that detect gamma rays.

The devices can detect tiny deposits of radium and other elements that may produce radioactivity naturally. Spotting such deposits may help scientists understand the geology of rock formations and guide them to mineral deposits.

In recent work on behalf of Geevor, which runs a tin mine on the coast of Cornwall, scientists tracked the positions of underwater tin deposits by using its radiation counter to detect pitchblende, a uranium oxide ore often found in combination with the metal.

Another customer has been British Nuclear Fuels, which operates the Sellafield nuclear facility in Cumbria. The corporation asked the scientists to survey the sea bed off Cumbria to check for radioactive deposits discharged from the nuclear plant.

- Underwater mapping. The council has signed an agreement with Marconi Underwater Systems, a subsidiary of GEC, which is to exploit a sonar system called Gloria. The system, developed at the council's Institute of Oceanographic Sciences in Godalming, has been widely used by the US Geological Survey in mapping the sea bed off California.

Marconi expects to make £5m a year from exploiting the technology in underwater surveys—for instance, to help companies identify oil and gas deposits—and will pay the council a royalty.

- Satellite searches. The British Geological Survey is involved in other work for oil and mineral companies in the interpretation of remote-sensing satellite data from the US Landsat vehicles. By spotting geological faults and other features, the satellite information can shed light on deposits of particular kinds of metals and other minerals.

Overdue exposure for the government's top photographers

Video & Film

BY JOHN CHITTOCK

PROFESSIONAL photographers often reckon—with some justification—that their role is undervalued. If civil servants sometimes believe that the work of government departments is likewise under-rated, it is a fair bet that professional photographers working in government are an unrecognised breed.

A small but impressive attempt to restore some of the balance was made in London last week with the opening at the Science Museum of an exhibition drawn from the work of government photographers. Organised with the help of Kodak, "Public Eye" runs until next January and then goes on a nationwide tour.

The extraordinary range of photography tackled by these backroom staff is exemplified by the equally extraordinary list of participating departments. Many of these are really so-called "fringe bodies," such as the British Antarctic Survey and the Unit of Insect Neurophysiology. Others, like the Ministry of Defence, which maintains the biggest of all photographic sections, with 346 people in a variety of units, are in the Whitehall front line.

Although it opens at the Science Museum, the exhibition includes impressive examples of pictorial photography—ranging from a study of Royal portrait painter Edward Hill to a classic press picture of the Downing Street cat on Number 10's doorstep. But it is the technical work of these professionals which is perhaps of greater national importance in the long run, even though it is least likely to receive accolades.

One of the largest photographic units, for example, is the one based at the Royal Aircraft Establishment at Farnborough. It uses many specialised techniques in investigating structural failures, design performance, even ergonomics. High speed photography and cinematography is fundamental to their work, with video and other new techniques such as holography creeping in—the latter not only for non-destructive testing (it readily reveals stress patterns), but also for producing 3D pictures.

One unusual photographic application at Farnborough employs a so-called periphery camera—based on the old idea of the panorama camera once used for the school group photograph. This uses a slit shutter to allow the object to rotate during one continuous exposure. The resultant picture can "unroll" a cylindrical view for instance of a gear wheel or, more topically, a cracked burner can in a jet engine, making 360 degree inspection easy.

There is also a dash of adventure in some of the work on show, such as an image intensifier photograph taken at night by HM Customs and Excise. This captures the moment of arrest when two drug smugglers were caught in a car park. Much work of this kind is used as courtroom evidence, exemplified by another intriguing picture of a stonemason chipping open a huge imported tombstone and uncovering a hidden compartment containing one kilo of heroin.

Predictably, high speed photography crops up in many scientific and industrial applications. The National Institute of Agricultural Engineering has on display one example which is eye-catching enough to grace the cover of the institute's brochure—a photograph of spray from a nozzle. The dispersal characteristics of chemical sprays are obviously important in agricultural studies, and offer a classic use for high speed photography.

For all the special techniques now available—such as thermography (to reveal tiny temperature differences), photoelasticity (where mechanical stress shows up as colour fringes), and contrast control (to detect almost invisible details)—the essence of applied photography is in its value as an instant recording medium.

One idea—elegant in its simplicity—is now in routine use at the National Physical Laboratory, which faced a productivity problem in checking the calibration of thermometers. This was being done visually, one thermometer at a time, because of the need for instant correlation of a number of parameters against set conditions. The photographic department suggested, instead, the use of a large format (10 x 8in) Polaroid camera, which enables as many as nine thermometers at a time to be recorded, an efficiency increase of 800 per cent.

Simplicity, though, is not enough. With another colour photography technique the photographers at the Royal Greenwich Observatory have demonstrated the importance of a thorough technical background in camera media. The very long exposures necessary in astronomical work cause the three main emulsion layers of colour film to respond unequally (a phenomenon known as reciprocity failure) and that gives rise to distorted colour rendering. No ordinary snapshotter would know this, or how to solve the problem by making three separately controlled exposures through appropriate filters on to black-and-white plates — so-called separation negatives.

Despite such expertise, professional photographers — and perhaps especially those in government service — constantly face a status problem. For all their technical education, often combined with considerable creative talent, they are an underprivileged lot. This is reflected starkly in the civil service pay grades.

Significantly, the individual photographers are not credited in the exhibition. The public will never know the name of the person responsible for the beautifully lit and composed portrait of Edward Hill, nor whose hand was behind the lens of an RAE vacuum tube picture which would grace the walls of any Mayfair art gallery.

As one government photographer complained to me: "There has been a downgrading of photography (in government)—it's called a service." It is perhaps a general malaise in the photographic profession, not helped from the start when Kodak's founder, George Eastman, coined the phrase: "You press the button, we do the rest." Or, to misquote a famous aphorism, any fool can take a photograph—and a great many do.

Versatile resin packaging

DU PONT has gained a new customer for its Surlyn ionomer resin packaging material. The product has been adopted by Societe SVEM, a big French packaging company whose customers include Black & Decker, Calor and Thorn-EMI, whose light bulbs SVEM packs.

The resin, which Du Pont supplies as a raw material, is used to pack anything from garden sprinklers to spanners or screwdrivers.

Although the resin costs about the same as a square metre of PVC, it is claimed that it is easier to use, has a higher heat absorption rate that traditional skin packaging materials and seals reliably over a broader temperature range, as well as having other properties which made for production and marketing economies.

ICI looks into liquid crystals

ICI'S RESEARCH laboratories in Runcorn are joining forces with scientists at Manchester University to investigate new applications in data storage and displays for liquid crystals.

Liquid crystals are materials whose optical characteristics are altered by electrical pulses of set values. They can thus be made into displays in which current or voltage changes trigger alterations in the crystal's properties, providing an optical representation of numbers, lettering or pictoral scenes.

The programme will examine new kinds of materials and test ideas such as building very large TV-type displays.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

But can the customer pay?

William Dawkins looks into credit rating

PUT YOURSELF in this situation. It is your first year in business and a new customer has telephoned to place an important order which could take up an entire six months' turnover.

Initial elation soon gives way to anxiety as you realise that there is no way of knowing for sure whether or how quickly the customer will pay. You must check his credit-worthiness, yet a day's delay could mean losing the contract. Any number of competitors are waiting in the wings. What do you do?

All too many small businessmen would simply rely on their instincts and make a decision which they could regret later if the customer runs into payment difficulties. Such mistakes are frequently more serious for small ventures than for large ones because individual customers tend to represent a far higher proportion of total sales.

One way round the problem is to make use of the increasingly sophisticated business data available — often at the touch of a button — from Britain's credit reporting agencies. These collect information on businesses' financial health and ability to pay.

Their services are not new, but their scope is expanding fast so that they now represent an important decision-making tool for business too small to afford their own credit-checking staff.

A small business equipped with a viewdata set or microcomputer, for instance, could obtain a brief breakdown on a customer for around £5—charges vary widely depending on the amount of information required—as against the £15 to £20 costs of getting a written report by post.

"We know we are sitting on some super tools. It's a question of getting people to understand how to use them," says Dr Philip Holmes, managing director of Jordan Information Services, part of Jordans company formation group. But what exactly are these tools and how can the small businessman make them work?

Five of the largest credit reporting groups have launched computerised services in the past year, allowing clients almost instant access to information on customers and suppliers through terminals on their own desks.

Apart from speed and cheapness, these services offer the advantage of quick updating of any changes in a company's credit-worthiness. In addition, explains Tony Hollands, director of business marketing for Dun and Bradstreet, the largest supplier of business information in the UK, "as the database has expanded, the information has lent itself to any number of marketing uses."

One small business to have used on-line credit checking to avoid potentially troublesome customers is Nyborg Plastics, a Widnes-based maker of polythene sheet. Nyborg, which has annual sales of £6m, plugged into the database run by CCN Systems of Nottingham a year ago and has already saved £10,000.

That was the price of an order from a customer which was found, thanks to a CCN check, to have 11 County Court judgments against it. Needless to say, the order did not go through.

One of Dun and Bradstreet's most recent services, launched in August, provides analyses of companies' payment patterns against the norms for their industry and gives an indication of settlement times. Based on the sales ledgers of Dun and Bradstreet's larger customers, the payment trend analysis is available for about 20 per cent of the 900,000 companies on the group's UK business database. This provides an aid to cash flow projection.

Another recently launched service allows clients to feed in a list of parameters for their ideal sales prospect, including such qualities as turnover, location, industrial sector and number of employees. Dun and Bradstreet will then return a list of companies conforming to those qualities.

Credit reporting agencies depend for their information on sources such as Companies House, court judgments on bad debts or liquidations, newspapers, their own customers' records and the electoral register (for consumer credit or checks on individual company directors). As one might expect from a competitive and fast-moving industry, the leading organisations have each cultivated special niches. It is worth bearing this in mind when shopping around.

Jordans, for instance, claims to offer a unique service in its new companies register which grew from the group's mainstream business as a company formation agent, where it has 40 per cent of the British market. It logs 25,000 of the trading companies formed every year, after throwing out the 75,000 or so ventures which register as companies but never get off the ground.

Clients get a weekly computer print-out of new companies as they are formed, including names, telephone numbers and addresses; a useful early warning system of the arrival of competitors or potentially valuable customers. "You could 'phone the director of a new company almost before it was trading," says Holmes.

If you need information on partnerships and sole traders, who would not be registered at Companies House; the specialist in that field is Infolink, run by the United Association for the Protection of Trade. The association's 10,000 members include banks, finance houses, manufacturers, retailers and wholesalers.

Infolink keeps tabs on 670,000 sole traders and partnerships which it claims is the largest database of its kind. In common with other credit reporting groups, it will monitor your clients and customers (at £1.40 per year each) and warn you whenever any adverse credit information crops up, such as a payment default notified by an association member or a court judgment.

ICC Information Group prides itself on its recently expanded file of more than 100,000 private companies, which it believes is the largest source of information on unquoted businesses. CCN Systems, part of Great Universal Stores, is best known as a supplier of consumer credit information, but broadened its services last year to include on-line business information following its acquisition of the credit reporting group, Manchester Guardian Society. Partnerships and sole traders joined the CCN on-line service in January.

On-line information is cheap if you are making a single inquiry, but a longer browse through the database will cost anything from £45 per hour at Jordans to £60 hourly at ICC. CCN, however, only charges per inquiry.

It therefore makes sense to load the information you need onto your own computer before looking at it. "Once you have taken the data onto your own computer, you don't have to pay to use it," explains Holmes.

If your business does not own a computer, a viewdata set or teletype terminal will cost at least £8 per week to hire or £700 to £1,300 to buy. And if you do have a computer, you will have to pay £200 to £300 for a software program to converse with the credit reporting agency's machine.

BRITAIN'S leading credit reporting agencies include the following:

Dun and Bradstreet, 26-32 Clifton Street, London EC2P 2LY. Contact Andrew Dick, group director, credit services. Tel 01-377 4377.

Jordan Information Services, Jordans House, Brunswick Place, London N1 6EE. Contact Dr Philip Holmes, managing director. Tel 01-253 3030.

UAPT Infolink, Zodiac House, 163 London Road, Croydon CR9 2RP. Contact Philip Cook, marketing manager. Tel 01-686 5644.

CCN Systems, Talbot Street, Nottingham, NG1 5HF. Contact Peter Winter, business development manager. Tel 0602 410888.

ICC Information Group, 51 City Road, London EC1Y 1AY. Contact Don Baker. Tel 01-250 3922.

High technology

Where the risk is greatest

BY WILLIAM DAWKINS

FEW managers of small high technology companies realise that the riskiest period in their fortunes comes not when they are starting up, but as their businesses begin to expand.

The speed at which their markets move means that business planning is more important for young high technology companies than for any other kind of venture. That is the main theme of a paper* presented recently by David Connell, manager of accountants Deloitte Haskins and Sells' London high technology group, to a conference of the Institute of Electronic and Radio Engineers.

"External market and internal organisation changes happen much more quickly than in most other forms of business. This means that errors in planning can swiftly be magnified, with disastrous consequences for the business," argues Connell.

His paper coincides with last week's release of figures by the Small Business Research Trust, a private research body, suggesting that 60 per cent of all new British businesses which fail do so during the first three years of their lives.

The most critical time in a small high technology company's early life, says Connell, is the period of growth between 20 and 50 staff. Informal lines of communication tend to break down at that stage and, to add to the strain, a second product is often being introduced at the same time.

A change in management style is the only way to cope. Start-up ventures need to be innovative and responsive to market opportunities, but they do not necessarily have to be very efficient so long as they can sell technologically superior products at high margins, says Connell.

But as they grow larger and their markets mature, the emphasis must shift towards tight financial control with efficient production and marketing. The founders of such ventures often find that they cannot learn these skills fast enough and therefore have to come to terms with recruiting professional managers from outside.

Connell believes that most businesses should need a full-time finance director (at least) by the time they have 50 staff, with a strong managing director able to control all aspects of the business through a middle management team by the time they have 100 employees. "Many high-tech businesses make these recruitments rather too late," he warns.

"The transition to a new form of organisation is frequently made only with difficulty. Lack of direction and control are common during these periods and fundamental changes are often required in the style of top management. Indeed, in some cases, a change in leadership may be necessary," he says.

Business planning plays an important part in containing the risks that go with growth. An informal approach to planning is usually adequate in the early stages, but shortcomings appear as the company gets more complex and its market draws in competitors. It is at this stage that high technology companies often have to face the fact that the idea they started with may not be the one to carry them into the future.

An extreme example of this process is the early history of the pocket calculator. In the seven years to 1979, prices fell from £79 for the Sinclair Executive (the world's first true pocket calculator) to £5. Competition now revolves on production volumes, global marketing and price—a situation in which very few small companes could survive.

Planning must therefore start by addressing competitors' activities and the expected life span of the company's products. Only then will it be possible to come up with a business strategy, which typically should set production and marketing targets for the 18 months ahead.

"It should be possible to write this statement down on one piece of paper," says Connell.

The next step, he advises, is to turn the strategy statement into a detailed plan of the resources needed to make it work. This should cover issues like what equipment will be needed and when, how many people will be needed with what technical skills and the financial implications.

Most business plans stop at that stage, says Connell. But high technology ventures need to go further to examine how the organisation and management of the business must evolve around the plan. The implementation of the plan must itself be planned so that the management burden can be spread as widely as possible.

Each individual's responsibilities and performance targets must be precisely documented and progress reports must be made to the board. That makes it possible to check, says Connell, "that the business has the management capacity to carry through all the changes involved as well as to run the core business."

**The Management of Growth in High Technology Companies, available free from Deloitte Haskins and Sells High Technology Group, 128 Queen Victoria Street, London, EC4 4JX. Telephone 01-248 3913.*

In brief . . .

AN UPDATED fifth edition of accountants Arthur Young's guide, Financial Incentives and Assistance for Industry takes into account the reorganisation last spring of the Department of Trade and Industry's numerous support schemes into four groups; investment support, support for innovation, business and technical advisory services and support for exports.

The first four chapters deal with those headings. Others cover employment and training, local business initiatives, agriculture, national resources, transport and energy. Also included in the guide is practical advice on making grant applications with lists of contacts.

Copies are available free from Deborah Jones, Arthur Young, Rolls Buildings, Fetter Lane, London EC4A 1NH. Telephone 01-831 7130.

●

THE RISKS and advantages of exporting for small businesses are outlined in detail in the latest series of guideline sheets produced by the Small Business Bureau, the Conservative lobby group.

The sheets are non-political and deal with subjects ranging from transport to choosing a market, export documentation, bills of exchange and credit insurance. A full set of Small Exporters' Guideline Sheets costs £2 including post and packaging. Applications should be sent to Dr Leah Hertz, 32 Smith Square, London SW1P 3HH. Cheques should be made out to the Small Business Bureau.

●

THE BELIEF that managed workshop projects are successful incubators of small businesses is challenged in a review by the Glasgow-based research group, the Planning Exchange.

Most businesses located in workshop developments—small units on flexible terms in centrally managed industrial buildings—claim that they would have started in any case, says the report. Haris Martinos, the author, argues that workspace projects are nevertheless valued by small businesses because of the low rents and easy tenancy arrangements they provide.

Copies of Workspace Developments for Small Businesses are available for £6 (or £4 for Planning Exchange members) from Derrick Johnstone at 186 Bath Street, Glasgow G2 4HG. Telephone 041 332 8541.

●

FINANCE for Private Companies is the title of a seminar to be presented by the business information group, Dun & Bradstreet, on November 12 and December 4.

The seminar is for business owners and financial decision makers and will outline opportunities for those seeking outside finance for the first time. Details of financial sources available and ways to obtain new finance will also be covered.

The Cafe Royal in London's Regent Street is the venue and tickets cost £125 plus VAT. Details from Allison Ludlam, Dun & Bradstreet, telephone 01-377 4452.

Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

EXPORT TO MIDDLE EAST

Manufacturers or Major Exporters, seeking representation, or sales promotion through our vast Sales Network in the Middle East. Please contact with details of products:

Mr A. L. Bahalim MD
Saudi Express Ltd.,
16 The Boulevard, London, SW17 7BW
Tel: 01-673 1122 01-673 6161 Telex: 929411 SAUDI G

SPAIN-GIBRALTAR BORDER

Opportunity in the right place at the right time

British development company with proven track record has unique Mediterranean beach-front site within 20 kilometres of newly-opened Gibraltar border and now seeks further participants.

Projections show outstanding returns of 30 months.

Apply by telephone to:
01-486 1128 or write to 47 Dorset Street, W1. Ref. LGI

OFFICE FURNITURE MANUFACTURER'S CLEARANCE

Wide Range of Discontinued Lines to be cleared at Manufacturers' Prices and below

VALLEY ROAD WAREHOUSE
Old Parkbury Lane, Watling Street, (A5183), St. Albans, Herts.
Phone: Radlett (09276) 7226

Hanover Investments (Holdings) plc

is seeking to acquire up to 100% interest in companies or partnerships providing Estate Agency or property related Financial Services with current profits of £100,000 to £250,000 per annum.

Please contact:
S. A. Parnes
Hanover Investments (Holdings) PLC
21 Manchester Sq, London W1A 2DD
Tel: 01-486 1252

INVESTMENT OPPORTUNITY

Importer with proven track record offers above average return to backers willing to provide temporary security (minimum value £100,000) for letters of credit on imports direct to blue chip customers. Write, with brief details of security available, to Ref. MAB,

LEACH & CO.
Ashley House, 18-20 George Street
Richmond TW9 1PR

PROPERTY FINANCE

For Propositions of £100,000 upwards

We can arrange short-term and long-term property finance, both for investments and developments, acquisitions and refinancing. Interest only and repayment basis.

BERKELEY SEYMOUR
33, Ivor Place
London NW1 6DA
Tel: 724 3311
Telex: 291649 Semour

COMMERCIAL VEHICLE CONTRACT HIRE

A managing director with extensive experience and first class track record wishes to discuss the formation of a new company with either financial institutions or commercial vehicle interests.

Write Box F6103, Financial Times
10 Cannon Street, London EC4P 4BY

SELL TO PROSPEROUS NORWEGIANS

We have developed firm markets for UK manufacturers of house and garden products, DIY, gifts, office/hotel accessories and can do the same for you. Visiting UK second half November.

Please contact:
PETER READ & CO.
PB 121, 1324 Lysaker, Norway
Tel: 02 535073

DO YOU HAVE IDEAS, PROJECTS OR PLANS?

Are you looking for finance, financial advice and systems? You could have found the answer!

We are a small holding/investment group with current interests in property, records, mail order, cosmetics and specialist foods. We have funding available — £10,000 to £500,000, together with financial and entrepreneurial expertise. So get in touch — NOW.

Write with full details to:
Box F6095, Financial Times, 10 Cannon Street, London EC4P 4BY

UNSECURED LOAN FACILITIES REQUIRED FOR CLIENTS

Due to expansion of business, a large Home Improvement Company requires additional facilities for clients throughout U.K. Owner occupiers only. Present sources offer terms up to 120 months. Average loan £2,500. Good interest terms. Excellent track record. References of the highest order available.

Principals only should write with full details to:
M.D., Box F6098, Financial Times
10 Cannon Street, London EC4P 4BY

COMPACT DISC

mail order and distribution company seeks

£50,000

investment for expansion

Write Box F6108, Financial Times
10 Cannon Street, London EC4P 4BY

18 ideal business locations

BSC Industry Opportunity Areas in Scotland, Northern England, the Midlands and Wales are unique. There is more support in more regions for businesses prepared to start, expand or relocate.

We can help if you've got:
* A developed and marketable product or service.
* A financially sound business or proposition.

Phone BSC Industry on 01 686 0366 extn. 300, or write to us at NLA Tower, 12 Addiscombe Road, Croydon, CR9 3JH. QFT2

PRODUCTION—EXPORTS—PROFITS

Established light engineering business with significant growth potential, marketing a range of exclusive patented and profitable products wishes to take advantage of production development and export opportunities, and requires an active partner to participate in the Company. Directorship and equity available £25,000.

Please reply in strictest confidence to:
Box F6105, Financial Times
10 Cannon Street, London EC4P 4BY

LOW COST IMMEDIATE ENTRY INTO SPANISH CLOTHING MARKET

Spain enters E.E.C. on January 1st, 1986, but import quotas and heavy duties on finished garments remain for the next four years.

If you want to launch your brand into the Spanish market without delay, and avoid import problems, we have the factory, machinery and equipment, a trained work force and local marketing skills that can give you immediate entry.

For more information and further details, please write immediately to the box number below, and our representative will be pleased to arrange a meeting with you in London or Madrid.

Write Box F.6094, Financial Times,
10, Cannon Street, London EC4P 4BY.

Commercial Finance — Competitive Rates

11½% fixed-interest mortgages. Business finance to 80% of cost. Asset-based finance. Construction finance to 100%.

Sovereign Insurance Consultants (London) Ltd.
Tel: 01-379 6322

CAR 'PHONES

From less than £1.20 a day!

Tel: Answercall VODAFONE
01-659 1133

BRITISH TELECOM APPROVED

PRINTED CIRCUITS

PCB manufacturer with conventional and PTH facilities based in Mid Wales seeks to strengthen existing market position by either:

1 merger with a similar company;
2 become part of a larger group as an "in house" supplier;
3 sell the whole or part of the equity to a party that can achieve the above objective.

Write Box F6071, Financial Times
10 Cannon Street, London EC4P 4BY

VENTURE CAPITAL

One of our clients, a fast expanding group of companies, has venture capital available for part or whole acquisition, management buyouts and other projects.

Please send details to:
FREEDMAN STUART
9 The Broadway, Woodford Green
Essex IG8 0HL

SUCCESSFUL FRANCHISOR

In Home Improvement Field

Offers unique opportunity to purchase its extensive franchise network, complete with substantial royalty income and on-going network expansion rights. The purchaser should be prepared to make an investment in the region of £250,000. The franchisor is a full member of the British Franchise Association.

Principals only, please write to:
Box F5749, Financial Times
10 Cannon St, London EC4P 4BY

MORTGAGES

Commercial or Residential

Minimum loan £50,000
Status not normally a problem
Try us: We have been known to do the impossible

FIRST EQUITY FINANCE LTD.
Victoria Chambers, Fir Vale Road
Bournemouth
Telephone: 0202 293161

DISTRIBUTORS REQUIRED

For short period cellular telephone hire

Birmingham, Manchester, Scotland
No initial capital required
Business premises essential

VODAHIRE LIMITED
8-10 West Mills, Newbury
Berkshire
0635 36111

OPPORTUNITY

for entrepreneur with marketing experience to acquire Licence to Manufacture patented leisure product with proved potential. £2,500 up-front payment and royalties required.

Write Inventor, 23 Parkside
Ringwood BH24 3SG
Telephone 04254 477420

ESTATE AGENTS

with medium sized, multi branch professional business, wish to hear from Insurance/Finance Company with a view to joint project/equity participation in developing financial services related to house agency.

Write Box F6101, Financial Times
10 Cannon Street, London EC4P 4BY

JERSEY FINANCIAL Services Company

International Funds available. (£0.5m min). Airports, Aircraft, Communications, Defence, Hospitals, Ships, Vehicles, Development and Export, etc.

Write Box F6100, Financial Times
10 Cannon Street, London EC4P 4BY

BUSINESS EXPANSION SCHEME

We act for an expanding wholesale and retail wine merchants. The company now require further capital to finance their expansion programe.

For full details write to:
Shorthouse & Martin
62 New Road, Basingstoke
Hampshire RG21 1PW

CLOSE TO JUNCTION 25 M25

Suite of 3,000 sq. ft. of offices. Modern premises, good access. No premium, no fee, rent free period.

Contact: Alain Pierre
or Matt McBryde
on 01-440 8100

MORTGAGES

on Commercial, Industrial Residential Properties
—at competitive rates

Write or telephone:
HIRSCH MORTGAGE (INT'L) LTD
Europe's leading Mortgage Brokers
15 Berkeley Street, W1
Tel: 01-629 5051 - Telex: 28374

OFFICE EQUIPMENT

We are interested in purchasing office equipment for export. Discontinued models are acceptable. Please write and send brochure to:

Box F6096, Financial Times
10 Cannon Street, London EC4P 4BY

U.S.-BASED COMPANY SEEKING JOINT VENTURE PARTNERS

for a development of oil fields in the South Westen United States. 1. Conservative Development Drilling. 2. Using Hitech Enhancements. 3. Excellent Economic Return. 4. Outstanding track record. Minimum investment $50,000. For additional information and requirements please call:

Art Beroff at 718-845-3103
or write ART BEROFF ASSOC.
156-28 79th St.
Howard Beach, NY 11414

* FOR SALE AS GOING CONCERN * Mighty Midget! * DEC PDP 11/73 * 512 Kb Memory. 40 Mb Fast Winchester Disk. 60 Mb ¼ inch cache tape backup. 4 Serial Lines. all packaged in a neat floor standing "Tower" Cabinet. Price £9,450.00 including free 3 months on-site maintenance. Full range of Business Applications Packages (Including Accounts, W.P. and Telex) available and fully supported.

PAL, Wealdstone, Middlesex.
Tel: 01-863 8622 Telex: 946240
Ref. 19010140

Businesses Wanted

SELLING ALL OR PART OF YOUR BUSINESS

"Willing vendor" owners of businesses—preferably profitable, should call Spectrum Business Brokers Ltd to discuss if one of their wide contacts of clients may be a possible buyer.

No fees charged to vendors, and disclosure of vendor name to any potential purchaser is only given on receipt of vendor written authority.

Call: Hugh Neal
Spectrum Business Brokers Ltd
8a Symons Street, London SW3 2TJ
Tel: 01-730 0137

Cash Available Now for Magazines and Magazine Ideas

A small, highly profitable magazine publisher wishes to acquire magazines or other publications either currently publishing or at the drawing board stage.

Substantial capital is available for purchase and development and flexible remuneration packages can be adapted to the vendor's particular taxation position.

Principals should write in the first instance, with full details of planned/actual performance to:
Box H0315, Financial Times
10 Cannon Street, London EC4P 4BY

MORE PROFITABLE COMPANIES WANTED

Having completed the first stage of its expansion programme a medium sized public company is seeking to acquire further manufacturing companies preferably with an own product base. If you have a good profit record which has reached a minimum of £100,000 pre tax per annum and want to realise your investment whilst retaining management control and continuing to share in your company's future prosperity then write to us in confidence through:

Box FT/941, St James's House, 4/7 Red Lion Court
Fleet Street, London EC4A 3EB

BUSINESS WANTED

Buyer seeks on-going business operating on site of 5 to 12 acres with 100,000 to 200,000 square feet of covered area in the area bounded by the M25 between Heathrow and Crawley and Reading, preferably with easy vehicular access.

Contact
Dr. R. Shaw
(Tel: 0249 813169)
or write
140 Lansdowne Crescent
Derry Hill, Calne, Wilts

TOILETRY/COSMETICS COMPANIES

We are a major toiletry company with an international distribution network.

In addition to organic growth we intend to develop through acquisitions in related fields in the UK and Europe.

If your current sustainable profit is more than £100,000 and you are interested in growing on mutually advantageous terms—

Please write to: Box H0328, Financial Times
10 Cannon Street, London EC4P 4BY

All replies will be treated in strictest confidence.

WANTED

GLASSFIBRE MOULDING COMPANY

MIDLAND BASED COMPANY WISH to acquire total or majority shareholding in GRP Moulding Company, location not important.

Existing staff and works to be retained

Apply in confidence to:
Boatman Plastics
Raleigh Hall, Eccleshall, Stafford

WANTED

UNIT TRUST OR FINANCIAL MANAGEMENT COMPANY

A client wishes to acquire a Unit Trust Company or Financial Management Company based in the UK with equity investments of not less than £10m and not greater than £30m.

Please reply to:—
Ref 303, Coopers & Lybrand
St. James's House, Charlotte Street, Manchester M1 4DZ

COMMERCIAL COLLEGES

Client seeks to acquire well established secretarial colleges, keyboard training centres, language schools, further education or professional training colleges. Any size considered, preferably Southern England.

Please reply in strict confidence to
Pennington Associates
60 Paddington Street, London, W1

PRIVATE INVESTMENT COMPANY

Has substantial cash available for immediate purchase of Retail Shops, Parades, Small Industrial Units, Farms, Land and Residential Properties. Acquisition of whole companies considered. Write to:

BENCRAY LIMITED
71 Garstang Road
Preston, Lancs PR1 1LB

LLOYD'S BROKERS

We control in excess of £1 million of Brokerage Income. We seek to acquire a controlling interest in a Lloyd's or Lloyd's umbrella'd Broker. We will retain existing management.

Replies in strictest confidence.

Box H0321, Financial Times
10 Cannon Street, London EC4P 4BY

WANTED

A company (profitable or loss making) anywhere in the UK, engaged in bottling natural spring/mineral waters with own natural water source.

Write in complete confidence giving maximum details including financials to:
Box H0327, Financial Times
10 Cannon Street, London EC4P 4BY
Principals only

MAJOR FIRM

Involved in insurance broking, life assurance, unit trust advisory services, pensions and benefit consultancy, seeks acquisitions. Commission/fee income between £250,000 and £5m pa considered

Write Box G10280, Financial Times
10 Cannon Street, London EC4P 4BY

WANTED BY PLC TO ACCOMMODATE GROWTH

Precision Engineering Company with substantial CNC Turning and Milling capacity. Southern area.

Write: The Chairman
Box H0308, Financial Times
10 Cannon Street, London EC4P 4BY

Established OPTICAL AND ELECTRONIC ENGINEERING COMPANY

requires association with electronics company with 0521-0524 Certs. for immediate work.

ESTABLISHED PRIVATE COMPANY

with professional client base wishes to acquire companies in the fields of information providers, company formation and specialist printing.

Write Box H0310, Financial Times
10 Cannon Street, London EC4P 4BY

TRANSPORT/HAULAGE/VEHICLE FLEET required. With or without property. Confidentiality assured. M. Harrison. 078 139 2969.

WANTED SERVICE COMPANIES

We are a subsidiary of a large Public Company involved in Industrial Plant Maintenance. We seek acquisition of selective Service Companies involved in Computers, Instrumentation, Testing, Quality Assurance, Calibration, Lifts, Cranes and other Industrial Products.

The ideal companies will have a turnover in excess of £1 million p.a.

We are also interested in acquiring Industrial Training Companies

Replies will be treated in strictest confidence and should be sent to:

Managing Director, Box H.0335, Financial Times,
10, Cannon Street, London EC4P 4BY.

Business Services

Buying a Wordprocessor

If you wish to record your existing documents on disk for immediate loading into your wordprocessing system GROVEFIELD LTD. will offer an Optical Reading Service to convert typewritten data.

For information contact:
J. Vellet. Tel: 01-638 0606
72 Shakespeare Tower
London EC2Y 8DR

SWISS HANDLING OF INTERNATIONAL TRANSACTIONS

The key company for:

* Handing of international transactions
* Back-to-back operations
* Companies formation, domiciliation and administration
* Setting up counter trade/barters
* Marketing countertraded products
* Fiduciary and trustee services

DE BERG SA
12 Chemin Rieu
1208 Geneva, Switzerland
Tel: 47 59 80
Telex: 421 896 DEB CH

OFFSHORE & U.K. LTD COMPANIES

Incorporation and management in U.K., Isle of Man, Channel Islands Turks, Panama, Liberia Gibraltar, Hong Kong, etc. Domiciliary and nominee services

SELECT CORPORATE SERVICES LTD.
Mt Pleasant, Douglas, Isle of Man
Tel: Douglas (0624) 23718
Telex: 628554 SELECT G
London representative:
2-5 Old Bond Street, London W1
Tel: 01-493 4244
Telex: 28247 SCSLDN G

LIMITED COMPANIES

FORMED BY EXPERTS FOR £108 INCLUSIVE
READY MADE £111
COMPANY SEARCHES

EXPRESS CO. REGISTRATIONS LTD
Epworth House
25-35 City Road, London EC1
01-628 5434/5, 7361, 9936

CHIEF EXCUTIVES

Are you concerned about computing in your organisation? For truly independent guidance

MF LIMITED
The Computer Consultants
031-447 4676

VODAHIRE

PORTABLE TELEPHONES

For short term hire
24 hours delivery London area
No installation charge
Space House
8-10 West Mills
Newbury, Berkshire
Call: 0635 36111

DIRECT MAIL LISTS & SERVICES—100s of ready-built lists immediately available. Suppliers of leading UK companies. Free Catalogue! Marketscan, Freepost, Chichester, Sussex. Tel: 0243 786711.

£2.50 P.W. FOR EC2 ADDRESS combined with phone messages and telex under £5 a week. Prestige office near Stock Exchange. Message Minders International. 01-628 0898. Telex: 8811725.

100% IBAs — Secure tax shelter with excellent guarantees and tax efficient yield. Phone John Piper on 0273 728311.

BUSINESSES AND ASSETS of solvent and insolvent companies for sale. Contact: "Businesses & Assets (RLS)." 01-637 3036.

ADVERTISING GIFTS

PRINTED WITH YOUR MESSAGE

Pens · Lighters · Key Tags
Knives · Torches · Rules etc.
100's of ADVERTISING IDEAS
PROMPT WORLD WIDE SERVICE
Send for colour catalogues
Tel: 01-446 8411 (24 hours 7937)
Telex: 28732 EMCPEN G
emc THE PEN PEOPLE
Dept. F/T 1064 High Road London N20 0QP

HELP, S. A.

Permanent and Temporary OFFICE PERSONNEL

Secretaries, Translators
Telex Operators, etc.

Huesca, 25
Phone: 270 98 19
Madrid, Spain

POLL HEREFORD CATTLE

An opportunity to invest in top modern bloodlines of the No. 1 traditional British Beef Breed, including shares in Embryo Transplant Donors.

Sale by Auction at
Bodenham, Herefordshire
on MONDAY, NOVEMBER 4

Catalogues:
RUSSELL, BALDWIN & BRIGHT
20 King Street, Hereford HR4 9DB
Tel: (0432) 55441

OFFSHORE & UK LIMITED COMPANIES

Fiduciary and trust services, domiciliation, company formation, international tax, yacht registration, bank accounts established, accounting, mail and telex services, etc.

WHITTINGTON SERVICES LTD.
23 College Hill, London EC4R 2RD
Tel: 01-248 0802 Tlx: 884587 G

AUTOMOTIVE PARTS MARKET

Ex company director, 40 years, well travelled entrepreneur, innovative, business builder, Japanese and European experience, multilingual, is looking for new exciting challenge, full time or assignment basis. Confidentiality guaranteed.

Write Box F6106, Financial Times
10 Cannon Street, London EC4P 4BY

SHEAFBANK PROPERTY TRUST PLC

SUBSTANTIAL FUNDS AVAILABLE TO FINANCE COMMERCIAL DEVELOPMENT PROJECTS ON A PARTICIPATION BASIS

St. Ann's House, St. Ann's Place
Manchester M2 7LP
061-832 2663/4/5

SPECIALIST FOOD RETAILER REQUIRES FUNDS TO FINANCE GROWTH

New concept. Sound business
Proven potential

Reply Box F6104, Financial Times
10 Cannon Street, London EC4P 4BY

GENUINE SALE of used Fork Lifts, ready for immediate work. Over 50% reduction on Electric Reach Trucks. Buy now while stocks last. Birmingham Fork Lift Truck Ltd., 4-8 Hams Road, off Adderley Road, Saltley, Birmingham B8 1DU. Tel: 021-327 5944/5 or 021-328 1705.

SMALL ENGINEERING CO. LTD. with 6 employees, SE Lon. area, offers Directorship-Partnership to anyone who can introduce new work into company. Write Box F.6097, Financial Times, 10, Cannon Street, London EC4P 4BY.

YOU WANT PROFESSIONAL SALES ENGINEERING AGENTS in the UK? We maintain a database of Freelance Agents/Distributors. Link up with the professionals, contact: Dept. 203, Institute of Sales & Marketing Management, 31 Upper George St., Luton, Beds. (0582) 411130.

FED UP, FATIGUED?—So was I. Exciting business opportunity available. Call Edmund Glaister. 01-736 0387.

COMPANY FORMATION & SEARCHES! Fast Service! Credit Card! 01-247 5508.

LIQUIDATION STOCK of new, unwrapped Italian cab top air deflectors, suit most makes of commercial vehicles. Offers? 01-969 9673.

Plant and Machinery

FOR SALE

20 x 7' 7" Westgate Ice Cream serving display counters also suitable for frozen food £250 each
2 x 4' as above £200 each
2 Jetwhip Orangematic Machines £500 each

Can be seen at:
STONES LTD.
16 Chester Street,
Manchester M1 5GE
Tel: 061-236 5361

Management Courses

Senior Management in Construction

A two-week programme intended for professionals in the construction industry who hold or are about to take up senior managerial positions. Participants include directors, area and contract managers, major project managers and heads of service and technical departments.

Course Objectives

- To focus attention on the fundamental need for companies to develop strategies in line with available markets and resources.
- To develop management skills necessary to ensure that participants understand how to penetrate those markets and manage companies profitably in them.
- To increase awareness of the differences between corporate and project/production management.

Management areas covered include:
Marketing and Finance in Construction, Selling and Negotiating Skills, Computer Applications in Construction, Getting Results through People and Personal Skills in Management.

Bookings are now being accepted for.

2 December-13 December 1985/13 January-24 January 1986

Fee: £1,150 + VAT exclusive of accommodation inclusive of lunches.

Please contact Ruth Drahota for application forms, course brochures and information on local accommodation.

The Urwick Management Centre (Dept FT) Baylis House
Stoke Poges Lane Slough Berks SL1 3PF Telephone: (0753) 34111

Price Waterhouse Urwick

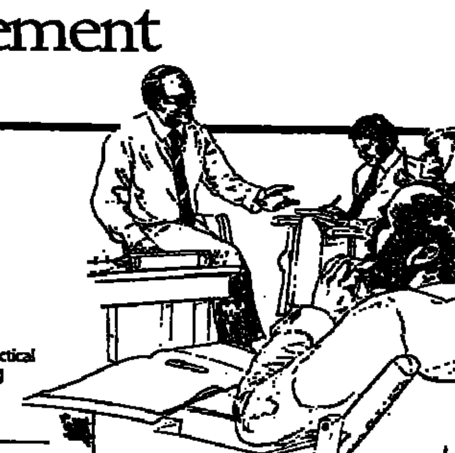
International Short Courses

MANAGEMENT OF RESEARCH, DEVELOPMENT AND TECHNOLOGY-BASED INNOVATION

Dates: 27-29 January, Haifa, Israel; 19-21 May 1986, London, England
Course Director: Professor Edward B. Roberts
Tuition: $950
$750 for M.I.T. Liaison Members
(Group Discounts)

Reply: Industrial Liaison Program
Massachusetts Institute of Technology
292 Main Street - 4th Floor
Cambridge, Massachusetts 02139 USA
Telephone: (617) 253-2691 or 253-6196
Telex: 921473

Urwick Management Programme



A two week course intended for middle to upper management from all functions who may have had some basic management training and over two years experience of a management post.

- Increase their awareness of the business environment
- Analyse, plan and anticipate change
- Obtain results through others
- Organise self development
- Approximately 75% of the programme is devoted to practical work drawing on a wide range of teaching and learning methods.

Bookings are now being taken for

3 Feb-14 Feb 86/16 June-27 June 86

£1,050 + VAT exclusive of accommodation, inclusive of lunches.

Please contact Ruth Drahota for application forms, course brochures and information on local accommodation.
The Urwick Management Centre
(Dept FT) Baylis House Stoke Poges Lane,
Slough Berks SL1 3PF
Telephone: (0753) 34111

Price Waterhouse Urwick

Businesses for Sale

Commercial Vehicle Body Kits Manufacturer

The business and assets of Cargo Van Equipment Limited, the UK's largest manufacturer of commercial vehicle body kits is offered for sale as a going concern.

* The Company operates from 48,500 sq. ft. of leasehold factory and office space at Bridgend in South Wales close to the M4.
* An annual turnover of some £3.5m makes the company the market leader in the UK.
* The sale will include all business assets, goodwill and the benefit of the current order book.

For further information please contact the joint receivers:

Barry Jones
Peat, Marwick, Mitchell & Co.
Grove House
Grove Place
Swansea SA1 5DE
Tel: (0792) 50018

Barry G. Mitchell
Peat, Marwick, Mitchell & Co.
National Westminster Bank Building
113 Bute Street
Cardiff CF1 6TD
Tel: (0222) 481145

PEAT MARWICK

Garage Business Plymouth

The business of Waterfield Garages Limited, a well-established local garage, is offered for sale. Principal features are:

* large freehold site, including purpose built showrooms, offices, car repair and servicing facilities situated near the City Centre
* dealership possibilities
* annual turnover approximately £6 million

For further information please contact the Receiver:
Roger Harris
Peat, Marwick, Mitchell & Co.
Phoenix House
Notte Street
Plymouth
Devon PL1 2RT

Telephone: (0752) 25381

PEAT MARWICK

REFRIGERATION AND AIR CONDITIONING — INDUSTRIAL AND COMMERCIAL

Dublin-based company with modern factory/warehouse, engineering facilities, strong international franchises and installation services. Manufacture own compressor packs and control systems. Turnover £2m plus, profits good and forward plan shows considerable growth.

Write Box H0330, Financial Times, 10 Cannon Street, London EC4P 4BY.

UK BASED AGRICULTURAL ENGINEERING BUSINESS FOR SALE

Privately-owned successful company specialising in agricultural engineering. Current workforce 50 employees turnover £1.6m. Freehold premises — 80,000 square feet. Highly profitable. Scope for further development.

*Write Box H0314, Financial Times
10 Cannon Street, London EC4P 4BY*

DIVERCO Sell Companies Nationwide

SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

Insurance Brokers

Based in Surrey

Commission income	£170,000
General/life renewals	£60,000
Initial life/pensions	£110,000

Clientbank of 3,000

Also possibility of additional brokerage with benefit of handling building society deposits £300,000.

Commission income	£46,000
General/life renewals	£34,000
Initial life/pension	£12,000

Both have enormous development potential

Principals only write:
Box H0320, Financial Times
10 Cannon Street, London EC4P 4BY

TRAVEL AGENCY SALE

IATA-ABTA-ATOL

In prime West End location. Turnover £1.6m with ½ million ABTA turnover. *Established* as a name over 12 years and as a major retailer in Australia, New Zealand and Far East market.

Offers please to
*Box H0316, Financial Times
10 Cannon Street, London EC4P 4BY*

FOR SALE

SECURITY EQUIPMENT MANUFACTURER

Small manufacturing and distribution company of quality security equipment. T/O in excess of £½m.

Please apply to:
Box H0318, Financial Times
10 Cannon Street, London EC4P 4BY

WELLINGBOROUGH, Northamptonshire — Modern factory premises for sale. 57,332 sq. ft. High level of services. Loading, tailgate and straight in. Close to A45 dual carriageway giving good access to M1 Motorway. Offers invited in the region of £550,000. Contact: Graham J. Stanton, Wilson & Partners. Tel. (0933) 73636.

PRESTIGIOUS WINE BAR & RESTAURANT PREMISES

IN THE HEART OF THE CITY

Benefit of Full and Free License.
Substantial and Attractive Lease.
Business for Sale.

Only M.D.'s or Equivalent Principals Need Respond.

*Write Box H0334, Financial Times
10 Cannon Street, London EC4P 4BY*

The Business and Assets are offered for sale

WELSHPOOL TIMBER CO. LIMITED SAW MILL – MID WALES

* Annual turnover is in excess of £2m. on a single shift.
* The company operates from an 18,000 sq. ft. leasehold property at Welshpool, nr. Shrewsbury.
* Plant and machinery includes:
  Andre EHA 14 Double Cut Bandmill
  Cambio 70 Debarker
  Kockums 240/12 Chipper Canter
  Micromatic Stress Grader

Further details from R.G. Ellis

Touche Ross & Co.
Baltic House, Mount Stuart Square, Cardiff CF1 6QS
Telephone: 0222 481111 Telex: 498473

LIGHTING MANUFACTURING COMPANY

Engaged in the Design, Manufacture and Sale of own new and exciting range of Products of energy saving uplighting systems for Commercial users.

Sales currently approx. £½M p.a. from strong customer base with extensive potential worldwide markets. All products fully protected. Further additional products in final development.

Operating from modern factory and showrooms — West London.

FOR SALE AS A GOING CONCERN

Full details from Ref: AJR

EDWARD SYMMONS & PARTNERS
56/62 Wilton Road, London SW1V 1DH
01-834 8454 Telex: 8954348
And at Manchester, Bristol & Liverpool

FOR SALE

COMMERCIAL STATIONERS WEST MIDLANDS

The long-established business of a commercial stationer is offered for sale as a going concern. The main activity of the business is the supply of envelopes but in addition there is a significant volume of commercial printing and stationery sales.

Turnover is currently in excess of £550,000 p.a. Gross profit £160,000. Experienced staff.

Excellent opportunity for existing stationer to effect rapid and profitable expansion through acquiring the business to complement his existing activities.

*Write Box H0312, Financial Times
10 Cannon Street, London EC4P 4BY*

FOR SALE IN LUXEMBOURG

First-rate enterprise. Important wholesale and retail trade clocks and watches — jewellery — precious stones.

Details Box H0333
Financial Times
10 Cannon Street
London EC4P 4BY

WELL KNOWN TEXTILE TRADE MARK FOR SALE

Telephone:
01-631 0156

FOR SALE

Well established, *profitable*
MACHINE TOOL MANUFACTURING CO.

T/O region of £1m. Well managed company capable of further expansion. Details will be sent to principals only.

Write Box H0323, Financial Times
10 Cannon Street, London EC4P 4BY

MERCURY DYSONA LIMITED
(In Liquidation)

Offers are invited for the purchase of the company, name, goodwill, trademarks, prototype and drawings. *Please telephone or write to the* Liquidator at:—
KING & COMPANY
12 Fife Road, Kingston upon Thames
Surrey KT1 1SZ Tel: 01-549 9329

LUCRATIVE CARPET & SOFT FURNISHING BUSINESS FOR SALE

Two outlets

Well established, freehold premises in the South West of England

Turnover in excess of £450,000 per annum

For details: please write to
*Box H0325, Financial Times
10 Cannon Street, London EC4P 4BY*

HOUSEHOLD FURNITURE MANUFACTURER

Producing 200 mattresses and 150 *divans per week in self-contained* freehold premises, seeks buyer.
Interested parties please contact:
Box H0324, Financial Times
10 Cannon Street, London EC4P 4BY

MEAT CATERING BUSINESS
(Some Retail)
Valuable City Freehold Premises
(Near London)
Completely Modernised & Fitted Out
TURNOVER £1,000,000
Could Greatly be Increased. Excellent Gross Profit. *Rare Opportunity to* Acquire such a Prestigious Business.
PRICE £480,000 plus S.A.V.
Write Box H.0319, Financial Times,
10, Cannon Street, London EC4P 4BY.

FOR SALE

Family-owned company manufacturing cords and wire assemblies for telecommunications and *electronics. Current turnover* in excess of £1.5 million. Profits exceed £250,000 per annum pre-tax. Situate in East Midlands. *Substantial customer* base.
Interested principals apply:
Box H0332, Financial Times,
10 Cannon Street,
London, EC4P 4BY

C&L

FOR SALE AS A GOING CONCERN

* West Yorkshire based GRP bath and fireplace manufacturer.
* Major supplier of whirlpool baths.
* Superb quality product.
* Good current order book.
* Freehold factory accommodation with easy access to UK distribution network.
* Sales of £1 million p.a. to both UK and foreign customers.

For further details contact the Receiver and Manager,
M. J. MOORE
Coopers & Lybrand
5, Albion Place, LEEDS LS1 6JP
Telephone: (0532) 431343 or his manager,
N. G. MUFFIT, at the company's premises
Telephone: (0924) 443464

ROAD PLANNING CONTRACTOR

Huddersfield

Offers are invited for the business and assets of Milford Sutcliffe Ltd trading as "Panda Plant" in receivership.

The company operates from freehold premises in Elland near Huddersfield. Turnover in the year to 31st October 1984 was approximately £1.45 million.

For further details contact: the Receiver and Manager: Peter Flesher, Thornton Baker, Eldon Lodge, Eldon Place, Bradford BD1 3AP.
Tel: 0274 734341. Telex: 51611.

Thornton Baker

FOR SALE

Old established Sheet Metal and Fabrication Company sited in South Humberside. Good plant and premises. Turnover £250,000 p.a. Owner wishes to retire.

For further details write:
*Box H0326, Financial Times
10 Cannon Street, London EC4P 4BY*

INVESTMENT OPPORTUNITY

Storage & Packaging Systems
Company S.E. England
Majority Stake Available
Established Profitable Company
T/o £754,000 per annum
Net Profit £70-80,000
*Write Box H0322, Financial Times
10 Cannon Street, London EC4P 4BY*

COMMERCIAL VEHICLE DISTRIBUTION COMPANY FOR SALE

With or without premises. Turnover £3m per annum. South Midlands/West Country.
Replies in confidence from principals only to:
Box H0337, Financial Times
10 Cannon Street, London EC4P 4BY

FOR SALE

Retiring senior director, majority shareholder in old established jewellery manufacturing company, wishes to dispose of his interest.

Principals only please write to:
*Box H0336, Financial Times
10 Cannon Street, London EC4P 4BY*

E. SUSSEX—Thriving avarian bus. estab. 60 yrs., dealing import/export/retail sales of exotic birds, cakes, feed, books. T/O £100,000 approx. Expansion possibilities, price £60,000 incl. goodwill, trade assets. Country house available. Bernard Thorpe & Partners, Tunbridge Wells. (0892) 30176.

Company Notices

FOR SALE—YORKSHIRE—Medium sized Electrical Retail Business. 10 outlets selling all domestic appliances. Good profits. Owner retiring. Ideal for further expansion. Principals only to Box H.0313, Financial Times, 10, Cannon Street, London EC4P 4BY.

SOCIETE GENERALE
$US 50.000.000 FLOATING RATE NOTES DUE 1991

For the three months, October 18, 1985 to January 20, 1986, the rate of interest has been fixed at 8 7/16 % P.A.

The interest due on January 21, 1986 against coupon nr 26 will be $US 22.27 and has been computed on the actual number of days elapsed (95) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

Hotels and Licensed Premises

Knight Frank & Rutley

NORTH WEST

A fully licensed and freehold hotel on the fringes of a major city centre

50 Letting Bedrooms
(all with private bathrooms)
Bar Restaurant Residents' Lounge
Two Meeting Rooms
Management and Staff Accommodation
Car Park

Substantial trade under management in the region of £500,000 p.a.

FREEHOLD AND CONTENTS £500,000

20 Hanover Square 01-629 8171
London W1R 0AH Telex 265384

INDIAN RESTAURANT FOR SALE

Prime West End Site
Valuable lease, low *outgoings.*
£750,000 o.n.o.
*Write Box H0307, Financial Times
10 Cannon Street, London EC4P 4BY*

SUPERB FULLY LICENSED

Free house with 16 en suite letting bedrooms, two flats and owners/managers home occupying a magnificent position with unrivalled views. T/O for 1985 was £270,000 with net return of £33,326! *Plenty of scope for improvement here.* Phone now for details:
HELLIKER HOGG & CO
0202- 477536

International

FOR ACQUISITION

Refuse Compaction
Equipment Manufacturer
Major market high-rise apartment buildings. Unit price $8-9,000. Owner projects $7 million sales and guarantees $3 million profit before taxes for FYE 3/31-86, up substantially from FI985. Written inquiries from principals are invited. Please enclose annual report, balance sheet or letter stating net worth.
Maurice Pfursich
President
MANHATTAN VENTURE COMPANY INCORPORATED
340 East 57th Street
New York, N.Y. 10022

INJECTION MOULDING COMPANY

with proprietary product line available for acquisition or leverage buyout. Principals only. Sales—$6.5 million. Net worth —$2.2 million. Reconstructive profit—$1.2 million. Asking $4.5 million.

*Write Box H0311, Financial Times
10 Cannon Street, London EC4P 4BY*

HOLLAND

Profitable Import Agency. Sales over £1 million. Servicing Oil/Gas Industry. Modern offices. Continuing management. Ideal base for other products.

*Write Box H0317, Financial Times
10 Cannon Street, London EC4P 4BY*

Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Auto Accessory Aftermarket

Our client seeks an investor to assist with the expansion of his company in order to meet market demand. Equity participation available with option of outright purchase later if required. Replies in confidence to:

N K Challis
Peat Marwick Acquisition Services (Licensed dealer in securities)
1 Puddle Dock
Blackfriars, London EC4V 3PD
Telephone: 01-236 8000 Telex: 8811541

PEAT MARWICK

CONTRACTS

By road or rail

A BEDFORD truck that is equally at *home on* road or rail is about to enter service with British Rail to provide a speedy method of emergency *recovery.* A *£1.75m contract* for 30 of these road/rail vehicles has been won by Bruff Manufacturing of Suckley, Worcester, for delivery *over* the next 12 months. This truck conversion is based on the non-HGV Bedford TL 750 medium-duty *chassis with four*-wheel drive "Pathfinder" conversion by Bedford main dealers USG of Portsmouth. The vehicle is powered by Bedford's 5.4 litre, 135 bhp diesel engine. With its high-traction, "go-anywhere" drive-line, the vehicle is able to mount the *rail* track at any accessible point on slopes of up to 40 degrees.

For operation on rail, a retractable turntable mounted *on* the underside *of* the vehicle positions the truck precisely over the track. Steel-flanged, retractable, rail wheels are lowered *hydraulically* onto the rails to provide guidance for the vehicle, which can achieve 35 mph on rail. The normal road wheels, *acting* directly on the rails, provide traction and braking during rail travel. The steering wheel is locked into the central position for rail operation. The road/rail vehicles ordered by BR are equipped for dealing with rail *mishaps* and primary equipment is a range of high-power hydraulic jacks capable of lifting up to 240 tons.

Marine projects for John Howard & Co

JOHN HOWARD & CO has been awarded a number of marine projects *totalling around £7.3m* in the south of England. At Burnham-on-Sea a contract valued at £1m has been awarded by Wessex Water Authority for the construction of a concave wave wall with concrete stepped revetment supported on piles. In Worthing the Borough Council has awarded a £300,000 contract for the reconstruction of the sub-structure to the Southern Pier Pavilion. The flood defences on the River Medway are to be improved under two contracts, together worth £1.4m, *for* the Southern Water Authority. The work consists of a precast concrete wave wall on a steel sheet pile cut-off, and the raising of an *existing* capping. Two contracts have been awarded by Swale Borough Council to protect the cliffs on the Isle of Sheppey *totalling £2.4m.* The reinforced concrete walls will be supported by steel piles with a steel sheet pile cut-off, and the *promenade with timber piled groynes.* The work includes cliff regrading and some breach nourishment. Further contracts have been awarded by *Medway Port Authority* for extensions to the area of reclamation and for paving to form hard standings. The value of the project has increased by £2.2m to £4.7m.

Work worth about £1m is to be completed by October, 1986. A contract for installation of seed preparation, oil refining and oil storage equipment, worth about £500,000, *has been placed by* managing contractor, Wimpey Engineering, on behalf of Bibby Edible Oils. The work will be completed *later* this year.

*

A contract worth £1.5m has been won by HAWKER SIDDELEY POWER ENGINEERING from the Jordan Electricity Authority for substation switchgear and ancillary equipment for the Zerqa substation, and at the *newly-constructed* Rehab substation. Both 132 kV/32 kV substations are more than 900 metres above sea level to the north of *Amman.* The *stations* are included in the authority's programme designed to develop the national grid in northern Jordan by strengthening power fed into the Irbid District Electricity network. The equipment is due to be commissioned in March 1986.

*

NEI INTERNATIONAL COMBUSTION, Derby, has won orders worth a total of £1m from Pakistan, Zambia, Nigeria, Egypt and France *for* its range of grinding and air classification equipment for the production of fine powders. The equipment *will be manufactured by the process* plant products business unit of NEI International Combustion.

*

BROADBENT has won a contract *worth over £1m for an oil cuttings* cleaning system for the Oseberg "B" platform. The system comprises two primary cuttings centrifuges with a secondary recycle oil centrifuge. To complete the system Broadbent will also supply *all* the relevant tanks, agitators, pumps, conveyors, valves, control gear and instrumentation.

*

UNITED KINGDOM CONSTRUCTION AND ENGINEERING COMPANY, Liverpool, part of the West's Group International, *has been awarded contracts* worth over £2m for mechanical work involved in the blending and *pre-blending* buildings and associated tank farm for *the* Shell Lubricants Centre, Stanlow. The contracts, placed by the *managing contractor,* M. W. Kellogg, are for installation of about 40,000 metres of pipework in a complex, multi-layer configuration; 400 items *of* mechanical equipment contained in buildings; and 80 tanks in the tank farm. Work has started for completion in August, 1986. A contract for cleaning and refurbishment of heavy fuel oil cells *and pumping* equipment at the oil fuel depot in Rosyth Naval Dockyard has been awarded by the Property Services Agency.

*

Contracts for mechanical engineering services for five of *McDonald's Hamburger* restaurants amounting to £400,000 have been awarded to the Stockport based SHEPHERD AIRCONDITIONING. A contract has also been awarded for the mechanical and electrical services for the new Ladbroke Hotel being built adjacent to Manchester International Airport at a cost of £1.4m. The Bridgend branch has been awarded a £280,000 contract by Costain Construction for installing mechanical services at the Kingsway Shopping Centre situated in the centre of Newport, Gwent. The present shopping centre is to be modernised and refurbished to a high standard to improve comfort conditions for the public and *provide better shopping* facilities.

*

Contracts worth £2.5m have been awarded to BICC TELECOMMUNICATION CABLES for 350 km of optical fibres cables for installation in British Telecom's trunk network during 1985.

*

A £1.8m order has been *secured* by WALKINSHAW PACKAGING SYSTEMS from M. W. Kellogg, contractor for Shell Lubricants *UK* at the *Stanlow lubricant* centre. The order is for three filling and packaging lines for a range of Shell lube oil products. *Installation* will commence early in 1986.

*

BONAS MACHINE COMPANY, Sunderland, has won a £3.5m order *to* supply high-speed *needle looms to* East *Germany,* writes Anthony Moreton. Bonas is a pioneer in looms specialising in narrow fabric weaving for *ribbons,* tapes, *hat bands* and name tapes. Two years ago it developed a highly advanced air-het loom the rights for which were subsequently sold to the Swiss company Sulzer Ruti, world leader in the field. The loom being sold to East Germany *won a gold medal* at this year's Leipzig Fair and the order is the largest in the company's history.

*

VICKERS DESIGN AND PROJECTS, Eastleigh, has a contract for overhaul and maintenance workshop equipment worth nearly £3m *for the Tuen Mun* light rail transit system in Hong Kong. Vickers will be acting as *sub-contractor* to the consortium of Leighton *Contractors* (ASIA) and the Metropolitan Transit Authority of Victoria, *Australia,* for the design, supply and *setting* to *work* of *yard and* workshop equipment essential for the maintenance, cleaning *and servicing* activities of the system.

*

Orders totalling £1m, most of which are from overseas, have been *gained* by *OMETRON for* eight SPATE 8000 stress analysis systems. Six of the eight British developed *systems* have been sold overseas: to Mazda *Motor,* Japan, Zahnradfabrik Friedrichshafen Gearmakers and the University *of Stuttgart* in West Germany; two in the U.S. *to* Rockwell, Troy, Detroit (automotive components) and Garrett aero engine *turbines* and the first in the Netherlands to National Aerospace. In the UK the two orders have come from British *Telecom,* Birmingham, and the Royal Aircraft Establishment, Farnborough.

CARRÉ, ORBAN & PARTNERS Ltd
International Management Consultants

Amsterdam, Brussels, Düsseldorf, Geneva, London, Milan, New York, Paris, Rome, Zurich

are pleased to announce that the London Office has moved to larger premises at:

7 Curzon Street, London, W1Y 7FL
Telephone: 01-491 1266 Telex: 296932
Fax: 01-491 4609

THE ARTS

Galleries/William Packer

Vision in the eyes of the artist

The idea of inviting artists to take their pick of the *National Gallery's* collections justified itself to such intriguing effect in the series of small exhibitions which came of it that the revival of *The Artist's Eye* after a short break is most welcome. Francis Bacon is the artist of the hour; this second series which he inaugurates will continue for at least the five years Shell UK has committed its support.

Mr Bacon has chosen 15 paintings to hang together for a spell (until December 15) in the Sunley Room at the heart of the National Gallery, and he is public figure enough, especially after his critical triumph at the Tate, for his little show here to excite general curiosity. It deserves more serious consideration than that, however, for it is a restatement and demonstration of a point of real importance to an understanding of great art and the nature of the public institutions it supports. That point has been made by every *Artist's Eye*, but it will always bear repetition.

The great public galleries, of which the National Gallery is one of the most remarkable, perform the necessary duty in a democratic age of collecting and holding great art on behalf of us all. But the roles and functions that follow upon such duty, of conservation and exhibition, exposition and research, were never necessary to the making of art, and need be no concern of the artist. It is the instinct of the scholar and the curator to distinguish school from school and period from period, to hang like with like and to see each work within its clear and separate comppartment. Practical convenience too is a powerful argument that must banish the higgledy-piggledy of private collection and accumulation from the museum. Collections grow, and special areas of study declare themselves, and it is in the nature of the beast that the immediate, hermetic disciplines and preoccupations of scholarship should sometimes cloud more general considerations.

In taking all this into account we need not so much guard against the scholarly, institutional view of what art is and how it may best be ordered and experienced, as against the easy assumption that it is the only view. The artist has other orders of priority, and though his may not be an academic expertise, his interest in the same material may be as great, his actual knowledge of the work in its physical presence as profound, as any scholar's. He will be drawn to the work of the great masters by all manner of sympathy and interest, general and particular, looking often for direct practical help and pertinent example, no matter that centuries may intervene or cultural barriers seem to block the way. Before the work he recognises that whatever the superficial differences might be the essential community of artists, expressed by problems faced and experience shared, allows a direct and potent intercourse. The work remains as alive and vital now as it ever was, if only the right questions are asked of it.

Francis Bacon's preoccupation has been the human figure, and in particular the male nude, so it is hardly surprising that in the main he has chosen figure paintings of one kind or another — portraits and studies of the nude on the one hand, grander figure compositions on the other. But given his own fierce and idiosyncratic expressionism, overlaid as it appears to be with misanthropy, it is surprising that his choice should rest entirely with paintings whose common characteristic, whether stated in terms of intimate directness or monumental grandeur, is a clam and tender humanity, deeply felt.

He has always said if his own work that, contrary to superficial appearance, it is not concerned with distortion, degradation and despair, but rather with the direct staement of the image and its practical achievement as a convincing yet distinct object, with a life of its own quite apart from any reference to human experience. The Tate retrospective certainly made clear to those who looked beyond the imagery that he was a painter of great delicacy and finesse; and now again he is able to say to us, in this different way: "Look— this is what I mean."

Here there is none of the any rococco extravagance, no Titian or Tintoretto, Rubens or Tiepolo, but instead a quiet, static and self-sufficient monumentality that sets the *Virgin and Child* of Masaccio so happily alongside the huge *Baignade* of Seurat and the sphinx-like *Madame Moitessicr* of Ingres, with even the large Degas pastel of a woman drying herself, *Apres le Bain*, holding its place in the company by the simple sculptural authority of the image. The more active compositions too: the firing squad in Manet's fragmentary *Execution of Maximilian* and Michaelangelo's *Entombment*, are drawn into the common mood by an hieratic or theatrical disposition that is at once gestural and finite. The Degas is the only image of the figure here in which the marks on the surface, which is to say the handling of the medium, are especially in evidence in themselves, and it is left rather to the landscapes of Turner and Cézanne, and the kitchen chair still life of Van Gogh, to keep up in mind of the mysterious language of paint which in its handling is so conscpicous a feature of Bacon's own work.

To see such things as the Degas on the same wall as the *Rokeby Venus* of Velásquez, or the Seurat as the Masaccio, is a rare and valuable experience, but magnificent as these things are, for me the greater pleasure was afforded by the clutch of portraits—the two Rembrandts of Margaretha de Geer hung side by side with a Velásquez head of Philip IV, and the Goya nearby of Don Andres del Peral, an image of profound authority achieved with a ravishing facilitq These four images confront us to the life, their personality conjured for us with the utmost conviction: Rembrandt intimate and wholehearted in his psychological scrutiny; Velásquez detached; Goya ironical: all of them profound in their humane understanding.

These comparatively small works draw us closer to the heart of Bacon's own sympathies and an understanding of his vision, and if I have regrets at all about this show, they roost with them. I do wish that the Goya had been hung directly with the other three and I also wish that Bacon himself, who has not exercised his selector's privilege to introduce a work of his own, had chosen to hang with them one of the small portrait studies he painted nearly 30 years ago.

Detail from Seurat's "Une Baignade" (left) and Velazquez' "Rokeby Venus," two of the paintings chosen by Francis Bacon

Kullervo; A Faust Symphony

Andrew Clements

A weekend of gargantuan symphonies at the Festival Hall. On Saturday the main work in the Royal Philharmonic Orchestra's concert under Paavo Berglund was Sibelius's *Kullervo Symphony*; The following evening Georg Sholti took the London Philharmonic through Liszt's *A Faust Symphony*. The latter may be no great rarity nowadays — its popularity among conductors appears to be growing—but the Sibelius certainly is, not only because of its dimension (75 minutes of music, requiring soprano and baritone solists as well as a male-voice chorus) but because of its unevenness.

Sibelius's earliest attempts at exploring Finnish mythology is an awkward kind of hybrid: part tightly organised symphonic structure (it would be hard to fault the first movement on its architectural consistency), part dramatic oratorio. The big central movement, which relates the main part of Kullervo's story, is essentially operatic, packaged for the concert hall by having the three female protagonists sung by a single soprano. That movement is in every way the *least convincing, with four-square choruses and plain solo writing.*

Berglund presented it here *with the thrust and conviction* he gives habitually to his Sibelius performances. He also had the benefit of a fine Finnish soprano, Eeva-Liisa Naumanen, more than adequate baritone, Jorma Hynninen, and the Helsinki University male voice choir. With such authentic credentials (and surely *Kullervo* is nearly unperformable except with native singers) the symphony was given the best possible chance and still only seemed partly successful. The first movement, translating Bruckner into Scandinavian sobriety, is an impressive achievement with a splendid opening theme; thereafter the music becomes progressively less distinguished.

Liszt's Faustian extravaganza is a different matter, and in comparison seemed the very model of organic coherence. Sholti proved to be a model interpreter, obtaining playing of great accuracy and penetration from the LPO. One could imagine the same conductor a decade or more ago making this symphony seem intolerably aggressive; surely it is not imagination that finds in his conducting more recently a newfound mellowness, a desire to round off the sharper edges without sacrificing any attack or immediacy. Other conductors may well have found more warmth in the slow movement, but the drive and rigour surrounding it were spectaoularly successful.

Both symphonies had been prefaced by concertos: Sholti partnered *Alfred* Brendel in Beethoven's *Emperor*, Berglund the young Joseph Swansen in Sibelius's violin concerto. For all the fluency and flare of Brendel on top form, the young violinist's strangely deliberate playing was more compelling: he chose moderate speeds and observed every detail. It was in effect a performance studiously lacking in open virtuosity, but one that nevertheless seemed to bring the concerto rather closer to the spirit of Sibelius's symphonic music than it often oppeared to be.

Arditti Quartet/Almeida Theatre

David Murray

This Sunday afternoon concert concluded the "Mahler, Vienna & the 20th Century" festival with the most sophisticated Berg and the most primitive Mahler. In the latter's A minor Piano Quartet (a single movement from 1876) the cut of the mature composer's material can be discerned easily enough, but it is very baldly set out. There were signs that the Arditti Quartet, with the pianist Vovka Ashkenazy, had been careful not to spoil its naive passion by over-rehearsal

Alban Berg was introduced here by his Four Pieces op 5 for clarinet and piano. Ashkenazy was a scrupulous and imaginative accompanist for Andrew Marriner's clarinet, which whispered and soared exquisitely. I do not remember a performance of these elusive miniatures so imbued with precise feeling: so much was conveyed, no less in the sharp anxieties of the later pieces *than in the* introverted murmurs of the earlier ones, as to belie their chronometrical scale.

The Arditti's account of the Lyric Suite sounded like work in progress—but work of a very high order. Now and again somebody's fingerhold on the highest ledger-lines slipped. The second tempo *in the Andante* amoroso had too little forward urge; the "Trio ecstatico" missed its full silken sweep, and there were traces of worried caution in the Allegro misterioso on either side of it. The most confiding passages in the second and fourth movements wanted more lyrical authority.

Such points could be remarked, however, only because the high ambitions of the Arditti reading were so often realised. Each solo voice offered potent insights in many passages (especially Rohan de Saram's cello, which found strong shapes in places where most cellists are only too pleased to manage the notes); in fact, Berg's sedulously indicated "leading voices" were kept in relief with uncommon faithfulness, but never just by suppressing the others. The toughest polyphony was dramatically argued, and some of Berg's most *outré* effects — the "tenebroso" of the Presto, for example — were uncannily vivid. This performance should mature superbly.

Death of a Salesman/Royal Exchange, Manchester

Charlotte Keatley

Mike Arron

Carmen Rodriguez and Trevor Peacock

The play which Arthur Miller originally called *The Inside of his Head* is given pertinent intensity by being staged in the round at Manchester's Royal Exchange Theatre. The naturalistic backdrop of apartment blocks overshadowing the Lomans' home with "bricks and windows, windows and bricks" is replaced by huge billboards in Lauri Dennett's symbolic design. Hung on the circular galleries of the theatre, the flashing neon signs impinge on the audience's consciousness as well as encompassing Willie Loman's life, past and present, with garish symbols of America's materialistic Dream. For interior scenes a folksy pine style of chairs and bedsteads neatly echoes the pioneer ethos which *Willie has spent his life trying* to cultivate in the hostile territory of a Brooklyn salesman's career.

Miller opens his play at crisis point: 60-year-old Willie returns from a failed trip, late at night, in such a state of psychosis that his past haunts his present to the extent that we see and hear it on stage. Biff has also returned home: eldest son and a catalyst to Willie's internal admission of a failed life, because Willie's encouragement of Biff's bravado stealing and sporting competitiveness has made him unemployable in an office career. So the play is a personal father-son tragedy as much as a public tragedy of a family tempted and taunted by the American Dream of opportunity for all—*for* which, as the play unfolds, we see that Willie and Happy, the "successful" son, have sold out their morals *concerning women and money.*

Gregory Hersov's production brings the Willie-Biff relationship to the fore: Trevor Peacock *is at his most tender and convincing* when playing football with his sons in the idyll of flashback. And whether deliberate or not, casting *presents* Biff as the most assured of the brothers; Rory Edwards gives such an admirably intelligent performance that it is hard to believe that he has been off the rails or needs time to "find himself." Colum Convey plays the gragarious Happy with a chirpy gaucheness which betrays the character's vacuaus morality too early on. Avril Elgar manages to invest dignity in the mother, Linda, who is landed with an unfair dose of sentimental lines.

Trevor Peacock conveys wistful decline from his first steps: a momentary hesitancy in the ball of the foot suggesting indecision and lack of confidence in a man who has reached the age when he yearns for support from his family and workmates, not to have his past defeats laid painfully bare. But I missed a sense of struggle in Peacock's poignant performance which is essential because the way Miller created a modern hero out of an inconsequential salesman was to endow Willie with an inconsolable awareness of his own compromised life.

Prospects 'bleak' for Royal Opera House

Unless there is an increase in Arts Council funding of at least £1.2m for the Royal Opera House, Covent Garden, in 1986-87 the "prospects are exceedingly bleak," according to Sir John Tooley, director general of Covent Garden. Speaking at the annual financial press conference yesterday he predicted a reduction in the number of performances from 500 to 300 a year, and substantial staff cuts, if the higher subsidy was not forthcoming.

After years of gloomy prognostication the crisis seems to have arrived at the Opera House. After a rise in Arts Council aid of only 1.9 per cent *in the current year, to* £12.6m, Covent Garden anticipates a shortfall this year of £700,000. On top of this sum it will need *an increase of around* 5 per cent, or £600,000, next year to maintain its plans.

At the moment arts organisations anticipate hearing from the Arts Council in December that their subsidy can be raised by only around 2-3 per cent. This would be quite inadequate for Covent Garden, which is asking the Council for £13.9m.

Sir Claus Moser, chairman of Covent Garden, went out of his way to contrast the effects of a low grant with the recent success of the Opera House. In 1984-85, the year under review, attendances had been the highest for many years, with 92 per cent audiences for opera *productions and* 88 per cent for ballet. Covent Garden had been in great demand throughout the world, and there were *ambitious plans for extending* the audience through educational initiatives and TV and radio broadcasts.

Sponsorship could not make good Government subsidy: it was currently 7 per cent of income, but Sir Claus doubted that it could be raised beyond 10 per cent, unless there were dramatic changes in tax incentives.

In 1984-85 Covent Garden had an income of £23.3m of which just under 50 per cent came from its Arts Council grant. House receipts were 31.5 per cent of income, the highest for four years, and touring receipts 4.4 per cent. Payroll costs were £13.14m.

Sir John drew attention to the rising costs of new productions, which were now in the £250,000-£300,000 bracket. *Der Rosenkavalier* had cost £271,000 to mount but, surprisingly, the most expensive production in 1984-85 was a ballet, *The Nutcracker*, which cost £298,000.

The Opera House currently facs problems with its forthcoming production of *Otello*, planned for January. Its star attraction, Placido Domingo, wants to extract himself from his contract in order to raise money for victims of the Mexican earthquake.

A Village Romeo and Juliet

Andrew Clark

Delius lovers, that inscrutable and unshakable fraternity, have never had it so good. The recorded reportoire is blossoming and since 1980 there have been no fewer than five new stagings of Delius's ripest opera, *A Village Romeo and Juliet*, the latest being the opening production of the season at Düsseldorf.

As usual, those who have already been converted to the Delius fold will have no difficulty luxuriating in the world of dreamy rapture that he creates; but with other recent performances still fresh in the memory, the new production by the Deutsche Oper am Rhein is up against stiff competition, and I doubt if anyone coming to the work for the first time would have been swept away quite as easily as by the last two productions on German-speaking territory, at Zürich and Darmstadt.

Those who recall how the company handled the Goehr première earlier this year will be relieved to know that the *same producer, Bohumil Herlischka*, has not done another scissors job on the Delius. None-the-less, although *Romeo und Julia auf dem Dorfe*, as the German-language version is called, is played in full, with a large orchestra and a good *cast, there is a distinct impression* of unfulfilled potential.

The production looked low-budget and for much of the *evening lacked the flair of* presentation that transports the imagination beyond the four corners of the stage. The rudimentary decor for the *first four* scenes, with a painted backdrop of very un-Alpine hills, had lost the sense of proportion *suggested in Ruodi Barth's* original designs (which were exhibited in the foyer), and failed to identify the wild land *at the heart of the family* dispute. The amplification through the house address system of the opening exchanges of *Marti* and Manz and of the wedding chorus was unnecessary and intrusive.

Another dubious decision was to make do with the two adult principals for Sali and Vrenchen in the opening scene. There is no substitute for the more gentle and high-pitched voices and pre-adolescent mannerisms of younger soloists, which are *essential if the* contrast with the following scene is to be made. Each scene had more than its fair share of standard operatic pusturing, much of it uncomfortably static, and the wedding dream, with the two lovers kneeling in silhouette beneath a suspended altar table, was strangely earthbound.

The last two scenes, however, went a long way towards compensating for the earlier dryness. Barth's set retained its unpretentious *simplicity*, but the flickering withdrawal of the fairground and the mirage of blue-grey moonlight at the Paradise Garden was theatrical impressionism at its most captivating. The fair was well animated, and there was a sense of contaminating earthiness about the vagabonds, who were excellent vocally and dramatically

As in Zürich, Vrenchen was sung by Ursula Reinhardt-Kiss, an attractive soprano who has the right physical and vocal proportions for the role, but who looked and sounded less involved here. The Sali, Zachos Terzakis, was also well-cast: his youthful, evenly produced lyric tenor shows considerable promise. The individual performance I enjoyed most was the *Dark Fiddler of* Wicus Slabbert; the voice is of solid Wagnerian baritone proportion, and his suggestion of casual interest in *the fated* pair was helpful in preserving the character's enigma.

The orchestral contribution *was crisp* and polished: it was a pleasure to pick out so much detail within the broader haze of Delius's instrumental *palette*, to glimpse the half-hidden meandering woodwind and brass lines in the interludes and appreciate once again the virility of the string writing and the sheer symphonic largesse of the score. On the debit side, the conductor, Christian Thielemann, is perhaps still too young to know when to linger that little bit longer before giving the upbeat: the musical scene-painting at the start of Scene Three and the duet in Scene Four (*from* "What will you do?") need more subtlety in phrasing

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Oct 25–31

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Il Trovatore, in the now-ancient Visconti production, serves as a vehicle for the first London Leonora and Di Luna of Elizabeth Connell and Wolfgang Brendel, both accomplished but not quite complete Verdians; José Carreras and Elena Obraztsova complete the cast, and Giuseppe Patané conducts (240 1066).

English National Opera, Coliseum: Orpheus in the Underworld, the somewhat uncertain Offenbach collaboration by David Pountney and Gerald Scarfe, returns for a further set of performances with a largely new cast. Also in the repertory: the new production of Faust, and the generally admirable revivals of Don Carlos and Rigoletto. (836 3161).

Royal Opera House: The Royal Ballet repertoire includes The Two Pigeons, Sleeping Beauty and a triple bill with David Bintley's The Sons of Horus.

Dominion, Tottenham Court Road: Northern Ballet Theatre with a new Othello followed by Rudolf Nureyev as guest in Birgit Cullberg's Miss Julie as part of a triple bill on Thursday. (580 9562).

PARIS

Lilac Garden – Soiree Antony Tudor: Lilac Garden to music by Ernest Chausson, continuo, music by Johann Pachelbel: Dark Elegies to Gustav Mahler's music, all three in Antony Tudor's choreography. Concerto Barocco by J.S. Bach to George Balanchine's choreography. Opéra Comique (296 0611).

St John Passion: J.S. Bach's oratorio conducted by William Christie, produced by Pier-Luigi Pizzi, Les Arts Florissants, Paris Sorbonne's Choir. The Venice Fenice production presented by the Théâtre des Champs Elysées (723 4777).

Iphigenie auf Tauris alternates with Swan Lake in Vladimir Bourmeister's choreography and production, at the Paris Opera (266 5022).

BRUSSELS

Cirque Royale (218 20 15): Tales of Hoffman by Offenbach conducted by Sylvain Cambreling with Stuart Burrows, Jose Van Dam, Rita Gorr.

WEST GERMANY

Berlin, Deutsche Oper: There will be two Wagner operas this week: Die Walküre and Siegfried. The Götz Friedrich productions bring together Simon Estes, Rene Kollo, Katarina Ligendza and Julia Varady. Madame Butterfly has Yoko Nomura excelling in the title role. Also offered, Cosi fan tutte and Der Barbier von Sevilla. (34 381).

Stuttgart, Württembergische Staatstheatre: Otello, featuring Gabriela Benackova, Bernd Weikl and Vladimir Atlantow. Philip Glass' opera Echnaton, composed for the Stuttgart Opera, is an Achim Freyer production. Counter tenor Paul Esswood is outstanding in a cast of high standard. Cav and Pag is respectable with Waltrand Meier, Carmen Mammoser and Michael Austin (20 321).

ITALY

Florence: Teatro Comunale: Ballo in Maschera conducted by Gianandrea Gavazzeni. Luciano Pavarotti leads the cast in Sandro Sequi's production, with Piero Cappuccilli, Maria Chiara, Patricia Payne and Patricia Pace. Scenery and costumes by Giuseppe Crisolini Malatesta (277 8236).

Venice: Gran Teatro la Fenice: Cosi Fan Tutte in Luca Ronconi's production, conducted by Peter Maag. (25 191).

NETHERLANDS

Netherlands Opera production of Tchaikovsky's Pique Dame (in Russian) directed by David Pountney. The Netherlands Philharmonic under Edo de Waart, with two choirs and members of the National Ballet. Cast headed by Jan Blinkhof, Henk Smit, Elaine Bonazzi and Helena Doese. Tue in Utrecht, Stadtsschouwburg (31 02 41). (Thur) Amsterdam, Stadsschouwburg (24 23 11).

The National Ballet on tour with a Balanchine programme: Concerto Barocco, Monumentum pro Gesualdo, Movements for piano and orchestra, Tchaikovsky pas-de-deux, and Symphony in C. Tue in Tilburg, Stadtsschouwburg (43 22 20). Wed Leeuwarden, De Harmonie (13 92 25), and Thur Scheveningen, Circus Theatre (55 88 00).

SPAIN

Madrid Autumn Festival: Pina Bausch Tanztheater of Wuppertal with premier in Spain of Cafe Muller. Teatro de La Zarzuela, Jovellandos 4. (Tue, Wed). (429 8216). Also Dance Theatre of Harlem Serenade choreographied by Balanchine, Voluntaries by Glen Tetley and Fire Bird by John Taras (Tue, Wed): Troy Game by Robert North, Le Corsair by Karel Shook, Streetcar Named Desire by Valerie Bettis and Four Temperaments by Balanchine. (Thur, Fri). Palacio de Exposiciones y Congresos, Paseo de la Castellana. (455 8363).

NEW YORK

Metropolitan Opera (Opera House): The week features the season's first performance of Porgy & Bess, conducted by James Levine, with Roberta Alexander. Neeme Jarvi conducts the August Everding's production of Khovanshchina, with Natalia Rom as Emma, Florence Quivar as Maria and Wieslaw Ochman as Prince Golitsyn. Lincoln Center (362 6000).

The Feld Ballet (Joyce): Choreographer Eliot Feld puts his company through a variety of paces including the world premieres of Aurore I and Medium Rare. Ends Nov 3, 8th Av. at 19th St. (242 0800).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season begins with Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. The season also has in repertory Madame Butterfly with Anna Tomowa-Sintow in the title role conducted by Miguel Gomez Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti e I Montecchi, Die Meistersinger and La Rondine (332 2244)

TOKYO

Maurice Béjart 20th Century Ballet: Wien, Wien, Nur du Allein. Kani Hoken Hall. (Wed, Thur). (723 2356).

Japanese Court Music and Dance (Gagaku): National Theatre (Wed). (265 7411).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday October 29 1985

Welcome move in Japan

CENTRAL bankers can hardly expect accolades when they precipitate a collapse of their domestic bond prices and send ripples of confusion, bordering at times on panic, into the debt *and money markets of* all their trading partners throughout the world. This is precisely what the Bank of Japan has been doing with its destabilising interventions in the Tokyo bond and money markets since last Friday. Yet, contrary to *custom, the bank deserves con*gratulations from anybody concerned about the long-term balance *of the world* economy or even the narrower interests of Japan itself.

The most immediate result of the last few days' turmoil—which hit Tokyo bond prices by more than four points on Friday and pushed one-month Japanese interest rates *to their* highest level for three years — has been to remind investors *and politicians* around *the* world of a few home truths.

At the simplest level, Japanese investment institutions and politicians alike have been reminded that there is no such thing as a free lunch. In the last few weeks, a dangerous smugness had been gradually taking hold in Japan and elsewhere about the currency intervention agreement reached *in* September by the Group of Five leading finance ministers.

The politicians seem to have felt that the currency intervention had attained its immediate *objectives of pushing down* the dollar and defusing the protectionist time-bomb in Washington. *This served to* increase confidence in U.S. economic prospects, while dimishing the pressures for fundamental changes in the Japanese macro-economic stance.

On the other hand, the very satisfaction among the politicians with the results achieved so far encouraged investors to assume that the dollar would not fall much further. Gradually, fears of the sort of unsettling policy changes which might have been required to keep the dollar headed firmly downward began to evaporate. The result was a sharp upswing in the Japanese bond market, which had previously been subdued by the fear that *Japanese* interest rates would have to be raised to strengthen the yen. Meanwhile, the *incorrigible* dollar bulls in Japan and elsewhere were beginning to raise their heads above the parapet again.

What the Bank of Japan has now done is to let the markets *know through its actions* that the G5 agreement *does* involve fundamental economic changes. *At the same time it has effec*tively served notice on politicians on both sides of the Pacific that these fundamental changes could hurt, especially *if they are left to the monetary* authorities alone.

Intervention is painless only *if it is* unsupported by any monetary changes — the *pro*cess known in economic jargon *as "sterilised" intervention.* The recent actions in Tokyo suggest that Japan, at least, is *willing to go further* and use "unsterilised" intervention to push the dollar down and keep it there. The policy implications could be momentous. Unsterilised intervention either means a tightening of money in Japan, a loosening in the U.S. or, most *likely*, a combination of both.

If the authorities are willing *to accept the costs of these* policies — in terms of heightened inflationary expectations *in America* and *dampened* domestic growth in Japan — there is every reason to suppose *that the campaign to bring the* dollar down will continue to be successful. It is to be hoped *that they will be willing to* accept such costs because the re-establishment of some sem*blance of* balance *between* America and Japan must now rank as one of the world's top *economic priorities.*

In a rational world, however, there would be no need for *Japan to sacrifice domestic* growth or for the Fed to jeopardise its achivements *against inflation.* The U.S. would cut its budget deficit sufficiently to offset the infla*tionary effects of looser mone*tary policy. Just as important, the Japanese Government would *urgently expand its budget de*ficit to provide a much-needed boost for Japan's domestic de*mand. Unfortunately, in the* irrational world of fiscal policy-*making in* both America and *Japan, neither of these changes* seem likely in the near future. But no one should blame the *Bank of Japan.*

Reforming air fares in Europe

A TRULY *competitive European* civil aviation industry remains a distant prospect. But the *omens for some* limited liberalisation have rarely been as favourable. Last week Mr *Stanley Clinton Davis*, the Transport Commissioner in Brussels, poured scorn on the *very cautious proposals for* reform put forward by European scheduled airlines which *are now under discussion at the* International Air Transport Association's annual meeting in Hamburg.

The scheduled airlines' proposals are a response to the *European Commission's memor*andum on civil aviation of March 1984. This had argued *that while U.S.-style deregula*tion was unthinkable in Europe, the bilateral agreements between governments which determine both the price and quantity of scheduled services could be made less restrictive. In particular, the Commission suggested that countries should not insist on a rigid 50 per cent share of air traffic between member *states, but instead* be content with a "safety net" of a guaranteed 25 per cent share.

The Commission was *much* less adventurous on airlines' pricing policies. It suggested the establishment of reference tariffs and "zones of reasonableness" — *pricing* ranges within which airlines could establish tariffs freely.

Traffic split

The scheduled airlines' proposals — issued under the aegis of the Association of European Airlines—have been *poorly received in Brussels.* This is partly because they fail to measure up to the Commis*sion's 1984 arguments.* The "safety net" capacity proposal has been rejected: the airlines are prepared to offer only a 45 : 55 traffic split in place of the standard 50 : 50 arrangement. And although the AEA proposals take up the idea of tariff zones, they do not offer much hope of cheaper fares: British Airways points out that 50 out of 52 if its cheap European fares are already below the lower limit of the proposed "deep discount" zones.

Perhaps more important, the airlines' blueprint fails to recognise that the debate has moved *on in* the past 18 months. Civil servants in Brussels have been impressed by the series of liberal *air service* agreements since negotiated by the UK. When EEC Transport Ministers meet on November 14, *the key* elements of the UK's recent pacts with the Netherlands, Belgium and Luxembourg could be considered as the basis for an overhaul of air transport regulation in Europe.

Such a regime would involve the adoption throughout Europe of a *"double disapproval"* pricing mechanism: in other words, airlines flying between two countries could *adopt any tariff* they wanted provided it was not rejected by *both* the governments concerned. *Under such a* scheme, the French government could not, for example, prevent BA *offering a low* scheduled fare to Paris unless the UK government also agreed *it was unacceptable.*

It would also require the "multi-designation" of airlines *and "open-route"* schedules. These two conditions would ensure that the prime scheduled services were not reserved solely for national flag airlines (several airlines from each country would be allowed to compete on all the main routes) and that airlines could fly from any point in one country to any point in the other. The package would also require an agreement on capacity: either that airlines could offer however many seats they saw fit or some variant of the Commission's safety net proposal.

It is no use pretending that these modest reforms, while *falling short of* full-blooded deregulation and receiving a full-blooded deregulation fairly sympathetic hearing at the Commission, will win majority support within the EEC in the short run. It is by no means certain even that countries such as the Netherlands, which are signatories to liberal pacts with the UK, will staunchly support *the Europe-wide* adoption of such principles and virtually certain that countries such as France and Italy will strongly favour the Iata/AEA line.

Yet EEC members states have a duty to look after the interests of consumers and to see that both the letter and *spirit of* the Treaty of Rome is enforced. In December, the European Court of Justice is expected to rule on whether the treaty's competition laws apply to civil aviation. If it *says yes*, the countries in favour of the status quo will be put in a difficult position. But even if the *answer is no*, the onus will be on those in favour of today's cartelised system to explain *why air transport is* different from other businesses and why it should remain immune from competitive pressures.

JAPAN'S BOND MARKET PROBLEMS

NOTHING illustrates the *financial muscle of* Japanese investors more powerfully than the ripple of unease which spread through world bond markets following last week's slump in Tokyo government securities.

In London and New York, bond dealers watched with dismay as the fall in Tokyo *sparked worries* that the bonanza of Japanese buying which has kept international markets going for more than a year, could suddenly dry up as a result of losses at home.

Japanese investors are now such big players that they are widely recognised to be the driving force behind the $100bn a year Eurobond market and powerful players in the much larger U.S. government bond market itself.

By the end of August, Japan's *net* foreign assets abroad totalled some $84bn. The country now vies with Saudi *Arabia for the position of* the world's largest creditor.

And just as Saudi Arabia *came to depend on* the health of the international banking system in which it deposited most of its money in the 1970s, so Japanese investors are now vulnerable to the fate of the dollar in which most of their foreign investments are *held. Conversely,* many bankers argue, the U.S. is vulnerable too because it is *relying on Japan to finance* its vast budget deficit.

The main worry now is that *this delicate balance will come* unstuck as Japanese investors draw in their horns after their own market collapse. Some estimates put the losses in the newly opened Tokyo bond futures market at more than Y160bn, spelling a huge loss of face for the leading securities houses which have been actively marketing futures as well as foreign bonds to their clients at home.

But though the events of the past week have made the investment climate more volatile, there seems little likelihood of the outflow into foreign bond markets drying up.

"There is no escape," says *Mr Nobomitsu Kagami of* Nomura Investment Management Company. A high savings *rate, coupled with a shortage of* good domestic investment opportunities and the country's yawn*ing balance of payments surplus,* has condemned Japan to its role of massive capital exporter for the foreseeable future.

Until last week investors also had a clear underlying rationale *for buying foreign bonds. Then* there was a five percentage point yield differential between Japanese government bonds and *the 10½ per cent available from* U.S. government securities. The extra income was sufficient to offset even a *substantial* decline in the value of the dollar against the yen.

At least that is the argument investors in Tokyo had been using as they stepped up their investments in foreign bonds this month after net outflows in August and September dropped successively to $4.47bn and about $3bn successively from July's record of $8.45bn. October's total is expected to be higher than September's.

At a stroke, however, the Bank of Japan has done much to undermine this cosy feeling of confidence. By refusing *to* accommodate a shortage in the local short-term money market *it has driven short-term yen* rates sharply higher. That in turn has spilled over into other *markets, driving the yen higher*

The result is that the arguments in favour of investing *abroad have lost at least some of* their appeal for the time being. With Japanese government bonds yesterday yielding 6.61 per cent, the interest differential against the U.S. has narrowed and the rise in the yen has highlighted the risk of further currency losses.

All this comes against a background of repeated official warnings from Ministry of Finance officials about the dangers run by Japanese residents who buy foreign bonds. Mr Toyoo *Gyohten, Director* General of the Ministry's International Finance Bureau, pointed *again to these risks* in a recent interview when he hit out at the "aggressive" tactics used by *some foreign* bond salesman in offloading their wares on unsuspecting smaller individual *investors and* corporations.

At the back of his mind, he *said, was the need* to ensure that the outflow of capital did not actually exceed Japan's *current* account balances of payments surplus. That would serve to weaken the yen and could undermine the advantages gained through September's agreement by the Group of Five leading industrial nations to intervene more actively to depress the dollar in exchange markets.

Already by last week the prevailing view in the Tokyo *investment community was that* the G-5 agreement might have already produced just about *the maximum effect* possible. The yen is felt to be stabilised in a range between 210 and 220 to the dollar, offering investors the chance to buy more bonds abroad and then average down the total cost of their foreign currency purchases to protect against a further dollar decline

However, this also masks the tacit admission that most investors have no choice. The cash at their disposal is so large and the markets that can take it so few, many simply feel locked into the U.S. government securities market.

Even at the *staid Norin*chukin agricultural co-operative, bank dealers habitually *stay up until one or two in the* morning to trade U.S. government bonds. Some estimates *put Japanese purchases of such* paper at more than one third of all foreign money flowing *into the U.S. market.* Put another way, says Mr Kenchiki Yagi of Bache Securities (Japan), this means Japanese investors snap up some 10 per cent of all new medium and long-term U.S. government issues and perhaps 15 per cent of the longest 25 to 30 year bonds.

Two or three years ago when the Japanese started to become massive buyers of international bonds, the market was dominated by insurance companies and pension funds which are restricted by the Finance Ministry to purchases amounting to no more than 10 per cent of their total assets. With the exception of the Post Office Life Insurance Bureau, still a potentially huge investor, most of these institutions are at or near their limit. Daiwa Securities calculates that on average insurance companies already have 8.81 per cent of their assets locked away in foreign securities.

That means new investments from institutions have slowed down to a pace commensurate with their steady 15 to 20 per cent annual growth in total assets. Instead, corporate treasurers now dominate the market, taking by some estimates as much as 40 per cent of all foreign currency bonds sold into Japan.

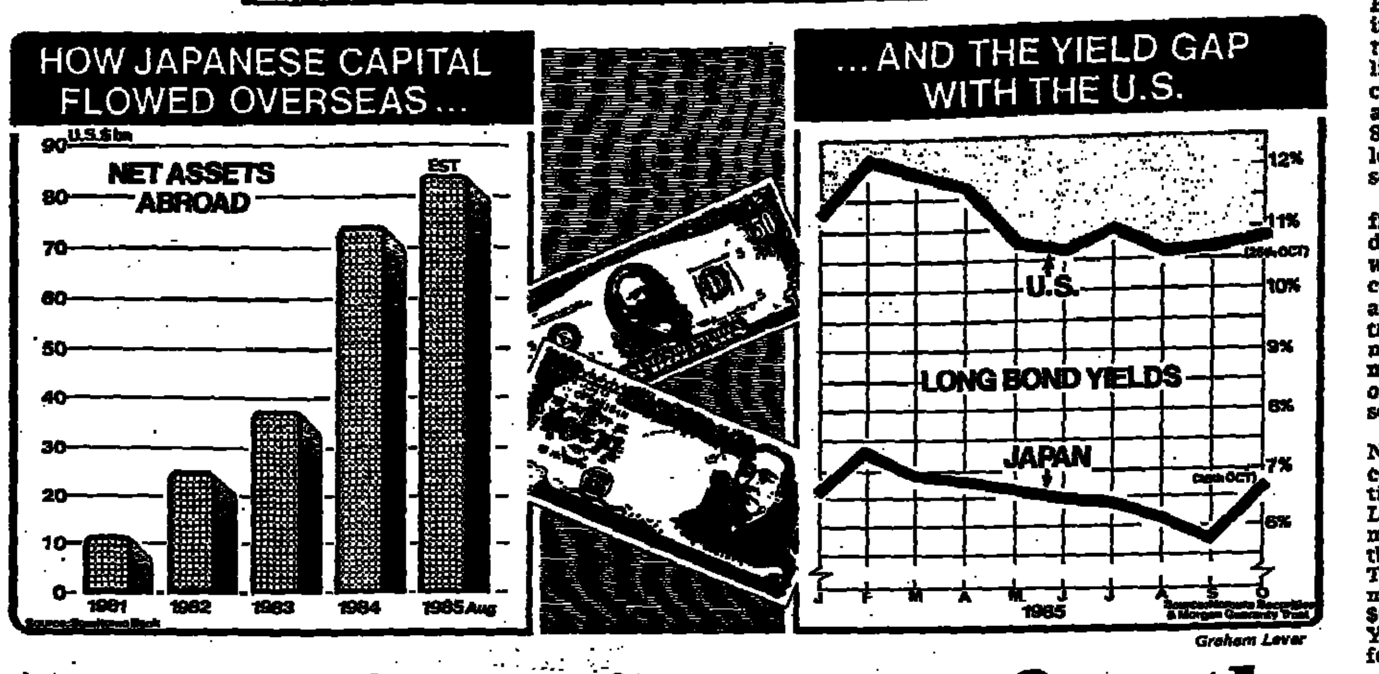
Many of these, ranging from Nippon Steel to the trading concern Nissho Iwai, are now setting up investment units in *London to* monitor their investment activity. The muscle of these investors is illustrated by Toyota Motor Company, which manages the equivalent of $6.5bn in liquid cash and makes Y100bn a year profit on its foreign financial investments.

This is the world of what Japan now calls "zaitek" or making money with money. It is a natural one for *corporations* bereft of investment opportunities in Japan's sluggish economy, but *it is also volatile.*

So far these investors have grown to regard the U.S. government *bond market* as offering a good rate of return even after currency risks have been hedged. *For the time being* other markets are less attractive because they are less *liquid, offer* lower yields or, as is currently the case with sterling, carry a flat to negative yield curve, meaning that short-term rates are higher than long-term.

One theory is that higher short-term rates in Tokyo could now offset the appeal of the *U.S. market*, especially since rates paid on larger deposits of more than Y1bn were *liberalised* at the start of the month. For the longer run, however, that will not get round the fundamental need for Japan to invest abroad so long as its savings rate is high and its balance of payments is in surplus.

Given that a way has to be *found* to moderate excessive capital outflow, the best route, bankers say, is to keep *investors* running scared. After all nothing should give even the most innocent of investors greater pause *for* thought than awareness of the fact that the risk of currency losses abroad is *now* compounded by higher rates at home.



A growing dilemma for the world's biggest creditor

By Peter Montagnon, Euromarkets Correspondent

A NUDGE FOR THE MARKET, NOT A MAJOR POLICY SHIFT

IF THE British gilts market gets feverish, the real economy *starts shivering as well.* Theoretically the same could happen in Japan because, at least on paper, the structures are not dissimilar. But in practice, in the Japanese economy, the connections are much less easily made—unless, as few, if any, believe, the monetary authorities are determined substantially to narrow interest rate differentials with the U.S. and keep them there in pursuit of a stronger yen.

There *are* doubts now about Japan's economic performance, but they are, in the first place, relative and, in the second, divorced from the money markets. They stem from threats to Japanese exports from protection, a possible economic slowdown in the Western economies and from Japan's apparent inability in the 1980s to stimulate demand.

None of this has much to do with the supply or price of money. Japan is simply awash with liquidity, with a national savings rate of approximately 18 per cent. Even if corporate profits have begun to turn down a little in the latest reporting half year, there is little evidence of financial pain outside chronically or cyclically depressed sectors.

The domestic demand package produced earlier this month by the Government is not especially interest rate sensitive. Most of it involves bringing forward already planned public works and *private utility* investments. The housing element is potentially significant, but the major deterrent to construction investment in Japan is less the prevailing rate of interest than the cost of land itself (roughly 10 times that in the US in real terms).

The Government hopes that domestic *demand is finally* beginning to pick up. This is based in part on the figures for *the second quarter of the year* (April-June) which saw the external and internal com*ponent parts of* an 8 *per cent* annualised expansion rate roughly in balance. The latest *partial evidence for the third* quarter, however, suggests that the summer salary bonus spurt has *not lasted.*

With exports moderating, it now seems that the official forecast of 4.6 per cent growth for the *1985-86 fiscal year, ending* in March, is the best that can be achieved.

If there is a longer term *concern about the competi*tiveness of Japanese industry, it centres, properly, on the yen-*dollar rate.* A dollar worth Y200 would undoubtedly pose problems to some sectors (*electronics, consumer goods,* cars) that Y240 and below did not. But, however officially *cloaked*, a higher yen *is now* government policy, which industry knows full well, and, *for the most part, accepts as* inevitable.

The divorce of the money markets from the real economy *in Japan today is also mani*fested in the Government's budgetary policy. There is *simply no evidence yet that the* Ministry of Finance, which holds the purse strings, is in the process of tightening, loosening or otherwise jiggling with the austere numbers it has had on its desks for months now. MOF has a vast $600bn debt refinancing problem on its hands; but it is worth remembering it had no real difficulties in its debt operations even when interest rates were *above* today's levels.

In sum, a liquid economy with high corporate profits means that the exceptional events of the money markets *are somehow apart.* The process of financial liberalisation, bringing with it new markets *such as bond futures*, is generating its own curious and, for some players, even cataclysmic, consequences.

The *events of the last few* days *show* that the monetary authorities, who are as new to this game as some of its participants, but who are backed, critically, by other *Western governments*, have themselves discovered new means of leverage.

They have delivered a *deliberate nudge, consistent* with Japan's underlying foreign exchange and trade policy. But *shifting* the Japanese economy off its course is another matter entirely. In this sense, Japan is not yet Britain or the U.S.

Jurek Martin in Tokyo

Men and Matters

Morton's own arrow

In his four stormy years at Guinness Peat, Alastair Morton has been called many things: abrasive being among the more printable. But even his sternest critics have begun to show him respect for hauling the stricken financial services group back from very stormy waters in 1982.

The *bid* he launched yesterday for Britannia Arrow is typical of his style. It is bold, even cheeky (Britannia is bigger than GP), and if it succeeds should place him at the top of one of Britain's bigger financial conglomerates.

That would mark yet another *twist to an already well-packed* career for this 47-year-old.

He began life in mining, then moved to the World Bank. Next came a spell at the Industrial Reorganisation Corporation before he *moved into financial* services at the Drayton Group. In 1976 he became the first managing director of BNOC, only to quit in 1980 after a difference of views with Mrs Thatcher.

After briefly working as an energy consultant, he was called in to sort out Guinness Peat in 1982, which he did with vigour, and a cool head for figures. From a low point of £25m in June that year, GP's market valuation has risen to £135m today.

Should his BA bid succeed, the City will be watching to see whether Morton also has the skills to weld together a "people" business.

But he sees his job as "keeper of the balance sheet," worrying about capital and strategy. "I'm not a banker or a deal-maker or an insurance broker," he says.

"Monet makes the world go around, the world go around . . ."

Screen politics

In most countries it would take *more than the combined efforts* of two businessmen to change a government.

But the allegation being made in the state of Western Australia is that one of its tycoons, Robert Holmes à Court, said he and fellow entrepreneur Alan Bond could do it together.

Holmes à Court has denied it and has issued a writ for libel against Bond, together with two other writs naming the premier of Western Australia, Brian Burke, and one of his advisers, Darcy Farrell.

The legal moves came after Burke appeared as a witness yesterday at a hearing of the Australian Broadcasting Tribunal. While giving evidence he confirmed allegations of Bond warning him that Holmes à Court had threatened to bring down the government.

The hearing is to decide whether Perth should have a third television station. Bond owns one of the existing two stations and Holmes à Court the other. Both men oppose the prospect of a new competitor.

Farrell is chairman of the prime contending group for a new licence, as well as being a close friend of Burke.

Bond claims that at an informal meeting between himself and *Holmes à Court the subject* of the third licence came up and they agreed that the govern*ment* should be made aware that they were not happy.

Holmes à Court denies that any such conversation took place. The three defendants have said they will contest the libel action vigorously.

World view

The latest annual report from Industrial Equity, the *thrusting* Sydney-based investment company headed by New Zealander, Ron Brierley, has a little more depth *to* it than most. That, at least, is the way it appears from the cover—it incorporates a hologram in which a three-dimensional IEL *logo* curves out into space from the eastern edge of the Australian continent.

The shimmering silvery image is, says Brierley, "a *world first in specially designed* annual report application."

But this is evidently not its *only claim to fame. The astro*naut's-eye view of the South Pacific shows Australia surrounded by vast stretches of water, and numerous islands to the north, but the country of Brierley's birth seems to have fallen off the face of the planet. Kiwis may rest assured that not only does the place still exist, but that Brierley Investments, his master company there, remains near the top of the Wellington Stock Exchange capitalisation league.

Clearly, though, this is nowhere near big enough to satisfy Brierley. The report tells us that the hologram was made using "an actual size hand-made model of the globe." Now, that is what ambition can achieve.

Two sides

James White *might* be excused an identity crisis. The 47-year-old Scottish chartered accountant is managing director of Bunzl, the paper, plastics and distribution group, which has concluded a £96m agreed bid for United Parcels.

He is also the non-executive chairman of United Parcels and, in his own words, "an unusually active one" — partly because he lives near Harpenden, just 40 minutes along the M1 from UP's Wellingborough headquarters.

White, *ironically*, is *credited* with boosting UP's image in the City since he took over the part-time *job earlier this year.* In the process, the share price has nearly doubled—contrary *to the interests of the new* suitor, Bunzl, one might assume.

One may not assume, says White. "It had to happen at a fair price. I didn't want a bargain basement price which might have attracted other people."

White, *formerly with the Lex* Service Group, has been at Bunzl since 1981, and will be showing his full confidence in its *management* by taking its shares instead of cash for his own 10,000 Parcels' shares. An unavoidable display of self-belief.

Points of order

Just how quick politicians can be in grasping a point, however prickly, was demonstrated in yesterday's House of Commons order paper. Liberal MPs, Clement Freud and Archie Kirkwood, have tabled a motion applauding the Charity Commissioners for granting charitable status to the British Hedgehog Preservation Society. The MPs also congratulate the society on its efforts to secure "a future for upwardly mobile hedgehogs."

Observer

Letters to the Editor

Bad takeover decisions

From the General Manager, Trade Indemnity

Sir,—Your banking correspondent David Lascelles commented on October 25 about remarks made by David Walker, the director of the Bank of England responsible for industrial matters and the securities markets, on the subject of takeovers.

It is quite clear that bidders' financing techniques do indeed create difficulties. The most common financial problem, particularly when looking at ailing or failed companies, is that of gearing. When we see gearing imbalances allied to a lack of experience in the business being taken over, we know that there are a few nasty financial surprises ahead.

We have seen many bad takeover decisions in the recent past and a few more where the "deal" has fallen through at the last minute. There is certainly a case for a public interest concern but how does one persuade the majority of shareholders to take a long term view?

Mr Walker's suggestions were interesting and theoretically helpful, but they might still be swamped by the tremendous power of media advertising. They certainly deserve support however.

D. L. Howson.
12-34, Great Eastern Street, EC2

Pension fund holidays

From the Chairman, Crossley and Partners

Sir,—There is much comment being given to pension fund surpluses. There seems however to be very little constructive advice being profferred to management on this subject.

The principal item that should be identified is real cost. When a company operates a defined benefit pension plan the real cost depends on the benefits provided and is unaffected by the method of funding. The normal cost which emerges from the actuarial funding method and assumptions varies only infrequently when views of long-term demographic factors change. It is only the balance between accrued and projected liabilities and the assets set aside to meet them which fluctuates.

Since the 1950s there has been a 2 per cent positive yield (investment yield over salary growth), for the 1970s there was a negative period, today the positive yields are unusually high due to a low level of inflation and high investment yields.

The unusual situation at present is producing surpluses both on accrued and projected forecasts of liabilities.

As a result of this situation many companies are taking contribution holidays and inflating their profits artificially. The real cost, however, has not changed nor has the normal cost. Hence any incurred gains or surpluses returned to the company via a contribution holiday should be taken as a credit to a company's reserves after appropriate allowance for tax and the normal cost should continue to be charged to profit and loss.

If this attitude is not considered by UK companies profits will be increased only to fall in the future and the real cost of doing business will not be correctly reflected in company accounts.

To avoid this situation management should obtain actuarial valuations designated for their purposes with full gain and loss analyses and financial forecasts. They will then be able to understand the nature of real costs and the definition of normal costs and manage their pension funds more professionally. This will render mandated controls unnecessary.

If British management does not recognise these facts then, as has happened elsewhere in the world, the regulatory authorities will mandate controls. This will mean that the actuarial freedom currently enjoyed will disappear and flexibility will be lost.

Martin J. Crossley.
39 Queen Anne Street, W1

The future of Westland

From the General Secretary, Association of Professional, Executive, Clerical and Computer Staff

Sir,—As you state in various reports (October 23) a decision about the future of Westland Helicopters has to be taken very urgently.

Historically, the company has a close relationship with the MoD producing helicopters primarily for defence forces with some exports. When the decision to move into the civil market was taken with the development of the W30, a version of the Lynx helicopter, the company found it faced the same difficulties as had other defence-orientated companies seeking a role in a civil market. The difficulties of the RB211, the problems on the south Clyde, each illustrate the problems of the change in a company's role.

At the same time the world helicopter market has been changing. From dependence on the U.S. for designs, a position is emerging in which Europe will have the ability to produce helicopters for its own defence and civil industries, subject to the co-operation between the four major countries. The French and the Germans have strong links and Westland and Augusta in Italy now have strong links on two major programmes for the future. From 1990 onwards there is a clear market which will be served by Westland and Augusta with helicopters designed in the case of the EH101 for both the defence and the civil market from scratch.

The problem is to sustain Westland in the period up to 1990 when the two major projects will reach completion. You report the attitude of certain Ministers as favouring the ending of a British-owned producer of future helicopters. This is typical of the approach that if there is a problem we should walk away from it. If Westland is taken over by an American company then the possibility of Britain playing a major role in future European helicopter decisions with our three major partners will be frustrated since they will not wish their indigenous industries to be eaten up by the Americans.

There is therefore only one logical future for Westland. It should be linked with Augusta through share exchanges to create a joint company which will design and produce helicopters more efficiently than the two separate companies. Only in that context will we retain a helicopter capacity in this country that will be responsive to European needs and one which can participate with our French and German allies in future developments.

Clearly that will need money put into the company by the British Government since Augusta has not got the financial muscle to dominate a joint company and to finance its development alone.

In addition, the Government will have to help sustain Westland in the period until the Indian contract is finalised and, whatever his difficulties are arising from Trident and the Treasury, the Defence Secretary will have to order some more helicopters in the near future. Apex proposed to the Defence Secretary in April that the army requirement for helicopters should be met in the short term by ordering the existing larger Commando helicopter. Subsequently the troop version of the EH101 should be ordered with the Westland W30 being used for lighter tasks. An early order for Commando helicopters should be given both for the benefit of the army which clearly needs a helicopter of that size and as a means of seeing the company through the dip in its activities until 1990.

Roy A. Grantham.
22, Worple Road, SW19.

Aid for small businesses

From Mr D. Granville-Jolly

Sir,—The report by Christian Tyler (October 16) on the Lords Select Committee, urging action to revive manufacturing industry, illustrated the myopia the administration has had for "small" manufacturing enterprises. Unless they are glamorous, high-tech, or bring political kudos in illustrating "help from an up-to-date, caring government" small manufacturers (and I mean 10 to 20 people) have little or no chance of tangible aid.

Eighteen months ago my firm designed and developed three steel products. To use common parlance we are "metal bashers." Nothing exotic: no micro-technology: just highly practical. We tried all the avenues for marketing finance and capital for more modern production facilities about which the Government boasts. We received—damn all!

In spite of financial handicaps we have pulled ourselves from a perilously bad position, as a sub-contractor, to one where the products have added £70,000 to £80,000 to our turnover in less than a year and tripled our sales ledger. All the attendant problems of stock funding, customer credit, production control and handling the increases have been experienced. Now we are dipping a toe, tentatively, into the North Sea to try marketing in our near-neighbours of Europe. (No help doing that, either!)

Yes, we prepared our projections, cash flows etc, as well as we could. The extra £20,000 we needed then would have meant the whole project would have been that much earlier, that much surer, that much more likely to earn foreign currency. In the end we had to settle for basic hunch and slog. We were right. We now project a further 50 per cent growth in 1986—if we can fund it!

Can one really think that their Lordships might be listened to in time for small firms, like mine, to survive, grow and help to regenerate basic skills? My deepening cynicism of the Government's knowledge and ability tells me "no."

D. Granville-Jolly.
Pearson Street, Wollescote, Stourbridge, W. Midlands.

University links with industry

From Professor Derek Smith,

Sir, — Your second leader "University links with industry" (October 25) paid generous tribute to the efficiency of marketing of our university-industry services and the spinning off of British university companies "that trade in their own right". You estimate that our industrial research contract income is "running at about £32m a year" compared to a total budget of about £2bn, a figure of about 1.6 per cent. Even if, as some of us believe, your estimate is now a little low, this can be compared with the higher figure for universities in the U.S. which has been said to lie somewhere between 5 per cent-7 per cent. As one who has spent the past fifteen years in and about university marketing, I should like to see our figure increase towards, but not necessarily to exceed, the U.S. level, so as to make a more substantial contribution to our economic recovery.

Moreover, I cannot agree with your suggestion that such industrial activity at such a low level could ever constitute a "danger" through the elbowing out of fundamental research and teaching. For one thing, in most well-run universities, the exploitation and marketing of "completed research" and services is carried out by separate units or companies, with a separate staff maintained on a self-support basis to avoid any competition for scarce research or teaching funds.

As for asking industry to "contribute anything other than a small fraction of the total," the university units and companies are not asking for any "contribution" whatsoever. They are offering expertise and facilities that industry needs and would otherwise have to buy elsewhere, on a professionally managed basis at very competitive rates. The directors of these units, and I believe the majority of their vice-chancellors and principals, recognise a responsibility to exploit to the full the industrial potential of our publicly-funded research base, and readers can be satisfied that the now well-established arrangements to do this need not involve any risk to our precious seedcorn.

(Professor) Derek Smith,
110, Frognal, NW3.

Manufacturers' short-term view

From Mr J. Evans

Sir,—It was gratifying to read your leading article (October 25) on university links with industry and the pitfalls of neglecting long-term basic research. In fact, industry could do a great deal more to support longer-term research, were it in a position to take a longer-term view itself. This, manifestly, manufacturing industry as a whole is unable to do. After the traumatic decline of the last five years, few manufacturers have the appetite to lok much beyond the next few balance sheets. But, given a more stable outlook, there are many arrangements, well-tested abroad, which could allow companies, large and small, to contribute to the funding of longer-term research in the universities to their eventual benefit. One precondition for this would be much greater tax incentives for companies to take the longer view.

As you imply, until such conditions prevail, the Government has a clear duty to ensure that the intellectual infrastructure, upon which future success depends, does not deteriorate any further.

J. T. Evans,
University of Newcastle upon Tyne, Haymarket Lane, Newcastle upon Tyne.

Directories don't help

From Mr J. Clements

Sir,—I see that from a date in April letters not bearing the postal code will be delayed. I am a good customer of the Post Office but none of the classified directories carries postal codes nor do my phone books. Pray where do I get all the codes from?

John Clements.
48 Harvey Point, Fife Road, E16

The EEC and food surpluses

From Mr J. White.

Sir,—It may well be that the onmarch of the years has made me even more dumb-witted than I had realised, but as the former director of an organisation specialising in economic education I do wish someone would explain to me the workings of the EEC mind in regard to its food surpluses.

It has been my experience that when a trader has a line that is selling badly he cuts the price and puts up the notice "Sale now on." "But no," says the EEC "that is all wrong. We must not sell our huge butter surplus to the peoples of the countries that produced it, not even at Christmas as in past years. We can and will sell it to the Soviet Union to restore its depleted strategic reserve. We might sell some of it back to the farmers who produced it provided they feed it to their cows."

So far as meat is concerned, and its storage costs must be huge (as for butter) the EEC directive is that no one can have that. Presumably it is to be kept frozen until it becomes inedible, as meat does if kept in frozen stores for too long.

There is much talk about the poverty line and the inability of families below it to afford to buy sufficient food. So cut prices while the surpluses last? Brussels says "No."

The EEC attitude to its grain mountain seems to be "Keep it in store. On no account let the starving and hungry millions of Africa get at it." All this seems to me to be the economics of the mad-house but in the view of the sleek well-fed bureaucrats of Brussels perhaps that is where I should be.

John Baker White.
Street End Place, Street End, Canterbury, Kent.

Let the borrower beware

From Mr N. Bowie

Sir,—The announcement by the Halifax Building Society that it had borrowed £15m on an index-linked basis for a fixed term of 35 years with the objective of passing on these loan funds on similar terms, plus a turn for itself, to individual borrowers and home owners is a major cause for concern.

It is a fact that house prices and house rents do not move up or down evenly across the country. In recent years in real terms in many regions prices have fallen and in other regions prices have sometimes moved above or below the rate of inflation.

It is not clear whether the indexation is upwards only, but if so, borrowers should be warned because history shows that RPI figures do fall, indeed they have done so for a month or so in recent times. History also shows that to expect inflation, which started in about 1935, to contimue for a further 35 years would make in all a period of 85 years which would be one of the longest periods of inflation in the past 300 years. The risk is that individual borrowers might find themselves with a debt burden far and away above the value of their own home and be placed in a financially difficult position.

To pay a little now and an unknown amount later is a dangerous thing for a home owner to undertake but, no doubt, a good bargain for the lenders.

N. W. Bowie.
1 Uplands Close, SW14.

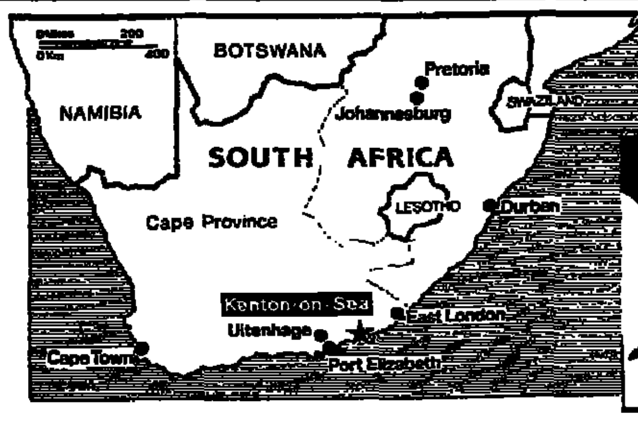
Taxable cash offer

From Mr P. Naydler

Sir,—I have received an unsolicited circular from the chief executive of Elders IXL, relating the belief that, because of management and organisational skills, his company can revitalise Allied-Lyons, in which I am a shareholder. An enclosed brochure, inter alia, informs me of the outstanding returns to his shareholders resulting presumably from the exercise of those skills.

In the circumstances, it is extraordinary that Mr Elliott is asking us to accept a taxable cash offer for our shares, rather than offering a share exchange from his predator-company. Why should he and his shareholders enjoy the spoils of Allied-Lyons and why should he so cheekily advise us of his intention? I trust that the board of Allied-Lyons will now bestir and prove itself worthy of its shareholders' support.

Philip Naydler.
West Ridge, Primrose Way, Bramley, Surrey.



Bob Hutchison

The black consumer boycott

An eye-opener for South Africa's whites

By Anthony Robinson in Johannesburg

GRAHAM WARREN runs what used to be called, without any kind of embarrassment, a "Kaffirwinkel" — a tiny shop piled from floor to ceiling with hair straightener, face-whitener, cheap dresses, sweets, shoe-polish, mealie-meal, sugar and all the basic needs of the local black community.

But few people in Kenton-on-Sea, in South Africa's eastern Cape province, nowadays would be so insensitive as to call Mr Warren's shop a Kaffirwinkel, or call its customers Kaffirs. Not since the end of May at least, when the 2,200 or so inhabitants of Kenton's black township decided to call attention to their grievances by organising a consumer boycott of white-owned shops.

In so doing, they were following the example of dozens of other black townships attached to the small, isolated white country towns of the eastern Cape "Platteland" and the over-crowded, sprawling townships like New Brighton, Zwide or Kwanobuhle which surround Port Elizabeth and Uitenhage. Despite the imposition of the state of emergency on July 21, these consumer boycotts are continuing in many areas as over 400,000 blacks in this troubled province have found that withdrawal of their custom is proving a powerful, if potentially double-edged weapon.

Some traders in Port Elizabeth, where a boycott originally planned for eight weeks is now in its fourth month, report that turnover is 80 per cent down. They forecast a wave of shop closures and bankruptcies for the new year, adding a further downward twist to an economy already hard hit by recession in the local motor and allied industries.

But anguished cries from business have thus far met little response from boycott leaders. They argue that with black unemployment already around 55 per cent, blacks are used to hardship while only whites have the vote and the political leverage to force the Government to stop detentions without trial and army and police brutality.

Suddenly part of the white business community has been brought face to face not only with its vulnerability and dependence on the black consumer but also with its political impotence to secure changes from a Government whose repressive policies have for years been tolerated or ignored.

In Kenton-on-Sea when township dwellers turned up outside the local development board office at the end of May with a petition of grievances, the police dispersed the crowd with teargas and rounded up 108 people.

It was then that Graham Warren first got involved by helping the families of those arrested to raise bail. Warren, who grew up "in a lonely mining town in the Transvaal where all my friends were black" is 100 per cent dependent on black customers. "They are my customers and I treat them with respect," he said. As a result, his shop was not hit by the boycott.

Steve van der Merwe, a third generation Rhodesian who moved to Kenton five years ago "after 15 years experience of bush war," was not so fortunate. "For five weeks I never made more than R20 a day—my usual turnover is close to a R1,000," he said. He did not know why he had been singled out together with the local butcher and the next door bottle store. Up in the township boycott leaders explained that the boycott targets were those who failed to treat their black customers "like people."

Throughout the boycott, black shoppers have continued to patronise the four gents' outfitters owned by the Watson brothers, four handsome, rugby-playing, committed Christians.

"Cheeky Watson" the eldest of the brothers, first raised eyebrows eight years ago when the Springbok rugby star opted to play with a black rugby team. The brothers, who like many young whites grew up with black children, speak Xhosa, the predominant black language in the area, and have identified closely with black aspirations.

Their stance has not endeared them to the local security police nor to many in the white business community facing bankruptcy while the Watson stores continue to do good business. Earlier this month the home of the Watsons' parents was doused in petrol and firebombed, badly injuring two black guards. The brothers are in no doubt that the bombing was the work of right-wing whites enjoying tacit protection from the local security branch.

The aim of the boycott, however, is to draw attention to the grievances of the black community.

At Kenton they have succeeded beyond their most optimistic expectations. As Gladman Johannes, member of the seven-man black community committee, explained: "For the first time the white community has taken an interest in our problems."

Just how basic these problems are came as quite a shock to those members of the white community who participated in a hastily set-up liaison committee. They discovered, that there was only one water tap for the estimated 2,200 inhabitants in the 27-year-old township and that the white municipal garbage tip was situated in the middle of Kenton. They also found out that there was no electricity, no postal service, no garbage disposal, no sewerage and no community centre in the township.

These were among the grievances that the seven-man black community team led by William Makopane, a plumber, presented to the Kenton Liaison Committee on June 18. Within days the committee swung into action to remedy the immediately remediable.

The rubbish dump was removed, four new water taps were installed the rutted main road was regraded and the grievances were rapidly conveyed to the administration board, police headquarters in Port Elizabeth and the education department.

Just as the action committee was getting into its stride however, President Botha declared a state of emergency in 36 magisterial districts, including the district which encompasses Kenton. To their amazement the liaison committee found that four of its black members had been arrested, beaten up at the local police station and then transported to Port Elizabeth's St Alban jail.

Gladman Johannes, one of the four, was released after 14 days. With an extraordinary lack of bitterness he explained how his interrogators had made clear that participation in the work of the liaison committee was what had made him an "agitator" in the eyes of the authorities.

The conclusion that Gadman Johannes has reached is that "the police don't want peace between our two communities."

If the boycott had not galvanised local whites into action, such a thought might never have crossed the minds of those who for years had lived on the comfortable side of the apartheid line.

FINANCIAL TIMES

Tuesday October 29 1985

Johnson Matthey calls in receiver at Gomba

By Terry Povey in London

JOHNSON Matthey Bankers yesterday ordered receivers to take over the debt-ridden Gomba group of companies owned by Mr Abdul Shamji. By mid-morning, three staff from accountant Price Waterhouse were in the Park Lane headquarters explaining the situation to employees and taking physical control of the daily running of the group.

The move is to ensure maximum recovery on the £19m ($27m) owed to the troubled bank by the property-based Gomba group. Among Gomba's assets are the Duchess, Garrick and Mermaid theatres, a one-third stake in the listed Belgrave Holdings, a handbag factory in Blackburn and the truck maker, Stonefield.

The bank is apparently concerned at the terms of some asset disposals being planned, one of the receivers indicated yesterday.

When JMB collapsed in September 1984 and was rescued by the Bank of England, the Gomba group was its third largest debtor. Since then, two attempts have been made to reschedule or settle the outstanding debt.

The first attempt collapsed in June when Gomba failed to make the initial payment on its debts which had been reorganised into a one-year term loan. A second arrangement was made after a 14-hour meeting that finished at 4 am on September 28.

It was dissatisfaction with the progress of this second arrangement, in which promises were made as to asset disposals, that prompted JMB to move Price Waterhouse into Gomba.

One of their first moves was to conclude yesterday the sale of three of Gomba's subsidiaries to a consortium led by Mr Michael Hendrie, who resigned from an executive position in the group last month. Mr Hendrie has been negotiating for months to try to make a go of the Stonefield truck operation outside of the Gomba framework in a buy-out backed by City institutions.

The three companies, which are not being put into receivership by JMB, are all based at Strood in Kent and are involved in the manufacture of medium weight military vehicles. Key overseas contracts are said to hang on the speedy resolution of the position of these companies.

In addition to seeking maximum recovery for the outstanding debts, the receivers will also be looking into various matters concerning dealings between Gomba and JMB. Although Price Waterhouse conducted its own investigation into Mr Shamji's companies at the request of the Bank of England in the months after the rescue, at that time it only had limited access to the group's financial and other records.

Case to shift some tractor output to UK

Continued from Page 1

bleak, were improved by the new plan.

"They will continue to be an important source for agricultural tractors and construction equipment components for the U.S., Europe and the rest of the world. Studies are being made to outline the plants' specific long range goals as an integral part of our business."

The company was also considering moving the production of two models of skid steer loaders from the U.S. to its plant at Redruth in Cornwall.

Case is already a major manufacturer of tractors in the UK with output last year of 23,300 units. Massey-Ferguson produced 56,300 and Ford 35,900. UK tractor exports were worth $486m last year. The trade surplus on tractors was £356m.

Minebea speeds merger to thwart foreign bid

BY FRANK KANE IN LONDON

MINEBEA, the Japanese engineering company under threat in the country's first hostile bid by a foreign predator, yesterday took steps which it claimed would strengthen its defensive position.

The company, a leading precision ball-bearing manufacturer, said it was speeding up a planned merger with Kanemori, its direct-sales clothing subsidiary. Mr Takami Takahashi, the Minebea president, claimed the move would increase the percentage of shares under its control from 51 to 53 per cent.

However, in London, Mr Terry Ramsden of Glen International, which has mounted the $1.4bn bid in partnership with Mr Charles Knapp's Los Angeles-based Trafalgar Holdings, disputed Mr Takahashi's figures. He also claimed that previously unpublished details of the offer would be put today to the Japanese Ministry of Finance.

The dispute over the extent of Minebea's control of its own shares revolves around the treatment of the unconverted warrants which Trafalgar-Glen has used as the springboard for their bid.

Mr Takahashi said that, if his company exercised all rights on present holdings of its paper, its total number of shares in issue would rise to 296m, of which Trafalgar-Glen would hold 19.5 per cent.

Mr Ramsden claimed that the total number after full conversion would be 342m, of which 218m are currently in issue and the rest are unconverted. The bidders are known to have control over a large proportion of the unconverted warrants.

Mr Ramsden also pointed last night to the stake of around 65m shares which Minebea is claiming are committed to it but which, he says, appear on the register as "free floating stock." He takes this to mean uncommitted small shareholders, numbering around 3,000.

"There are contingent details in the plans themselves," Mr Ramsden said. "We are not going to publish full details until we have seen senior directors of the ministry."

Mr Takahashi repeated his outright rejection of the bid and said he would not meet Mr Graham Richards of Glen and Mr Mark Dodge of Trafalgar when they arrived in Japan.

The Kanemori merger, however, was seen as an indication that Minebea might be taking the bid seriously

It was also reported last night that the Ministry of Finance had said that any acquisition would have to be cleared under the Foreign Exchange Law, which restricts foreign investment in state security-related firms.

Control Data loses $255m in quarter after special charge

BY PAUL TAYLOR IN NEW YORK

CONTROL DATA, the troubled U.S. computer and computer products group, yesterday reported a $255.6m, or $6.65 a share, third-quarter loss, partly reflecting a decision to take a $153.8m special charge to restructure parts of its business.

The Minneapolis-based group, which has been struggling to raise cash and re-focus its operations in the face of a sharp industry downturn, said the third-quarter charge related to "restructuring and reducing the scope of business activities." Wall Street reacted favourably to the moves pushing Control Data's stock up $⅝ to $18 in early trading.

In the year-ago period, Control Data reported net earnings of $54.5m, or $1.41 a share, after taking a $130.2m special charge related to the group's decision to phase out its IBM "plug compatible" peripheral business. The latest third-quarter loss came on revenues which slipped marginally to $1.23bn from $1.24bn a year ago. For the first nine months, the group, which earlier this year was forced to restate its 1984 and 1985 first-half net earnings by the U.S. Securities and Exchange Commission, said it had a net loss of $269.6m, or $7.02. This compared with break-even net earnings of $600,000, or 1 cent, in the 1984 period on revenues of $3.69bn.

Control Data, which has recently been selling selected assets, including parts of its commercial credit finance unit and has put its profitable Tickertron electronic-ticketing business on the auction block, said the third-quarter special charge included the anticipated divestiture of its business products operations which manufacture and sell computer disk packs, computer tapes and flexible diskettes.

The group said the decision to divest these businesses was consistent with its strategy of concentrating its peripheral products resources on the high performance, high capacity OEM (original equipment maker) data storage market.

In addition, Control Data said the losses reflected charges related to restructuring part of its U.S. and international computer services businesses as well as writedowns of its investments in a number of projects including earth energy systems and digital productions – both controversial ventures sponsored by Control Data's chairman, Mr William Norris.

Control Data said its information services and products division posted a $237.1m pre-tax loss in the latest quarter including the charge – results which the company blamed on the downturn in the computer industry, intense price competition and dramatically changing technology. Operating earnings were also adversely affected by costs associated with lay-offs and the closure of plants. In the year-ago quarter, the division posted a $126.5m pre-tax loss after the $130.2m charge.

The group's financial services unit posted pre-tax earnings of $25.7m including $8.9m in gains from the sale of assets compared with pre-tax earnings of $16.2m in the 1984 third quarter.

Mr Robert Price, president and chief operating officer, said: "A comprehensive analysis of investments is continuing which may or may not result in additional charges in the fourth quarter. The actions we are taking and will be taking in restructuring and narrowing the scope of our business operations, while adversely affecting our short-term results, should significantly enhance our future profitability."

Phibro-Salomon cuts 600 jobs in commodities unit shake-up

BY TERRY DODSWORTH AND PAUL TAYLOR IN NEW YORK

PHIBRO-SALOMON, the Wall Street investment banking and commodities trading firm, yesterday announced a further massive reorganisation of its Philipp Brothers non-energy commodities trading subsidiary involving the loss of about 600 jobs in its worldwide marketing and distribution organisation.

The job reductions, the latest in a succession of severe cuts, represent about 20 per cent of Philipp Brothers' total workforce of 3,100, but half of those involved in the key trading area.

Mr John Gutfreund, Phibro-Salomon's chairman and chief executive, announced a senior management reshuffle at the Philipp Brothers unit and a name change for the parent company. Next year the company, formed four years ago when Phibro acquired Salomon Brothers for $554m, will be renamed Salomon Inc – a move which reflects the emergence of Salomon Brothers as the dominant part of the group.

The management reorganisation will follow the retirement at the end of the year of Philipp Brothers' two senior executives. Mr Ludwig Jesselson, the chairman of Philipp Brothers who helped build the commodities firm into one of the world's trading giants, is to leave active management but will remain a director.

Mr Alan Flacks, the British-born president and chief executive of Philipp Brothers, is leaving after completing the restructuring of the troubled commodities business – a task he undertook 12 months ago. Despite sharply lower revenues the commodities business has staged a strong recovery in earnings this year with nine-month pre-tax profits rising to $57m from $7m in 1984.

Mr Gutfreund, who became sole chairman of the parent company last October when Mr David Tendler, Philipp Brothers' former chief executive quit the group, named Mr Martin Kaufman as Philipp Brothers chairman and chief executive, and Mr Henry Schachar, as president.

Nato ministers wary on N-plans

Continued from Page 1

placed by the controversial enhanced radiation or neutron bomb.

However, a new, more accurate and longer-range Lance missile is believed to be on the verge of development in the U.S.

It seems improbable that ministers will take any decision on the Rogers plan this week, if only because they will not want to influence the climate of opinion as the Dutch Government takes its long deferred decision on Friday on the deployment of cruise missiles.

But Gen Rogers is said to be pressing for a full discussion of his plan as early as possible in the new year.

Meanwhile, Mr Michael Heseltine, the British Defence Secretary, is to meet Mr Caspar Weinberger, the U.S. Defence Secretary, after today's session in a final attempt to define the terms under which Britain might participate in the $26bn U.S. Strategic Defence Initiative research programme.

Mr Heseltine is to press Mr Weinberger for guarantees that Britain will get a specific share of the programme, and that UK companies will not be subject to the stringent U.S. rules governing the transfer of technology to third countries.

Tin price troubles depress trading on LME

By Stefan Wagstyl in London

TRADING on the London Metal Exchange, the world's leading metals market, has slumped in the face of the threatened collapse in tin prices.

Traders report that, since the suspension of tin trading on the LME on Thursday, business in other metals is down by an estimated 30 per cent. One trader said: "The markets are deadly quiet, and they will carry on getting quieter until this whole mess is sorted out."

Traders are anxiously awaiting the outcome of an emergency two-day meeting of the International Tin Council, the producers' and consumers' price pact, which starts in London today. The ITC's announcement that it had run out of money to fund its efforts to support the tin price above free market levels sparked the crisis last week.

The buffer stock manager, who manages the ITC's price support scheme, owes an estimated £200m ($285.5m) to LME members and their bankers. He has traded particularly heavily with a handful of traders – but other dealers could also be hit by any defaults since LME members all have large debts with each other.

However, there are strong indications that member countries will not let the ITC collapse without honouring its obligations. On Sunday, Dr Chirayu Na Ayutthaya, Industry Minister in Thailand, the third largest producer after Malaysia and Indonesia, said his country was ready to give more money to the ITC, as long as other nations acted responsibly.

Yesterday, ITC representatives met their bankers to discuss ways of refinancing the buffer stock manager. An immediate step forward would be for the Association of Tin Producing Countries (producer-members of the ITC) to pay over £60m pledged at a meeting last month. Another proposal being canvassed is for member governments to guarantee the ITC's borrowings.

However, the ITC may well decide that even with extra resources its present floor price of the equivalent of £8,500 a tonne is unsustainable. Several of the council's consumer members – who include the UK, other EEC countries, Japan and Canada but not the U.S. which dropped out in 1982 – are likely to argue in favour of lowering the price.

The LME has suspended tin trading until the end of tomorrow. It regulates its own affairs, but it has kept the Bank of England, which has a general responsibility for supervising London markets, informed of events.

See Lex; Commodities, Page 34

IRI moves to oust Italian bank chief

Continued from Page 1

quence of the rise of outside entrepreneurs such as Sig Carlo de Benedetti and in part because the Milan bourse has grown beyond the size which readily permits closed-circuit deal making.

In a country which lacks a tradition of merchant banking on the Anglo-Saxon model and therefore has a limited number of intermediaries for corporate finance, Mediobanca has enjoyed an unchallenged supremacy. Now that the Cuccia era is coming to a close, however, the struggle for power between those who wish to prolong tradition and those who wish to modernise has broken into the open.

Dr Paolo Azzoni, of Milan stockbrokers Aletti and Company, commented yesterday: "Our problem is we lack anti-trust laws and companies are still controlled in an undemocratic manner." He said the Cuccia affair was a sign that change was occurring in Italy's financial market.

THE LEX COLUMN

Preaching to the converters

The pre-emption right is losing even its most loyal supporters. Last week Mr David Walker of the Bank of England, a friend of the ordinary shareholder if ever there was one, suggested that companies would eventually find their way to the cheapest source of capital and that the placing might work out just a touch cheaper than the rights issue.

His suspicions were duly confirmed yesterday when BTR, a company which takes its responsibilities to shareholders more seriously than most, announced that it was placing £200m of something which looked very much like equity outside its shareholders' register. Most shocking of all, the lead broker to this placing was the patron saint of the pre-emption right, Cazenove & Co.

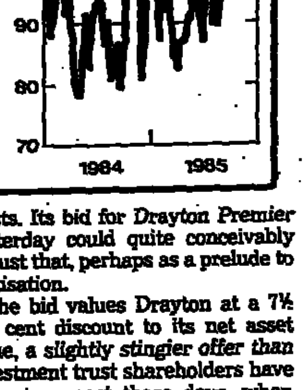
Not that BTR's existing shareholders have much to complain about. The group is issuing two tranches of low-coupon Eurobonds convertible into equity at a premium of around 5 per cent. The terms have been structured to encourage the earliest possible conversion – BTR has a call option from next June and the conversion premium is tight – but there will be no dilution for existing shareholders.

UK institutions may even be grateful to BTR for this initiative. Many are overweight in the equity and will have the opportunity to scale down their percentage holdings. Certainly yesterday's 9p rise in the BTR share price to 380p looked more like a vote of confidence than a protest by outraged shareholders.

By issuing convertible bonds in the Euromarket, BTR has taken advantage of what amounts to a loophole in the London Stock Exchange's listing particulars. A UK company can only place equity without recourse to its existing shareholders if the proceeds are to finance an acquisition. But if it sells Eurobonds which are converted into ordinary equity next week, it can increase its issued share capital by 5 per cent without so much as notifying its shareholders. As Mr Walker implied last week, the stock exchange restrictions are too inflexible to make sense.

NCBPF/Drayton

Britain's National Coal Board Pension Fund, traditionally a rather passive shareholder, now seems all set to take a stand on closing down uneconomic investment trusts. Its bid for Drayton Premier yesterday could quite conceivably do just that, perhaps as a prelude to unitisation.



The bid values Drayton at a 7½ per cent discount to its net asset value, a slightly stingier offer than investment trust shareholders have come to expect these days, when most trusts change hands at or very near their full asset value. The market, at least, interpreted it as a sighting shot; the shares leapfrogged the 500p offer to close 69p up at 515p. Any higher than that, and shareholders could lose out even with unitisation, as costs can absorb up to 5 per cent of asset value.

Since more than 80 per cent of the shares are institutionally owned, unitisation might in any case be unpopular. Institutions are not great investors in unit trusts, and the rush to cash in on Day One could force a liquidation on unfavourable terms. As the offer is, unusually, at a fixed price, shareholders might do as well to sit tight and accept if the market falls between now and the closing date. But they have an interesting dilemma on their hands. If they accept, they sanction the precedent of offering less than net asset value for the other trusts in their portfolio; a precedent which will only pay off if it attracts enough marginal bidders to drag up the rest of the sector on bid speculation.

Guinness/Britannia

Guinness Peat's offer for Britannia Arrow was probably the least surprising of yesterday morning's clutch of UK bid announcements. Guinness has never disguised its interest in owning the whole of Britannia, and the stock market knew exactly what to think when it stepped in recently to top up its holding.

So, with a bid premium already reflected in the Britannia price, yesterday's offer was little more than a recognition of what the market thought Britannia to be worth. As a major fund management group, Britannia may attract a counter-offer although no-one except Guinness Peat seemed too interested when UKPI was hawking around its 25 percent stake in March.

Britannia should after all be of greater value to Guinness than to almost anyone else. Guinness has abundant tax losses in the UK and U.S. and, assuming full acceptance of the equity offer, would show some boost to earnings per share on the present terms. But, having been so generous with its paper in the past, Guinness would look very stretched if a more muscular competitor came in and offered cash. It has already conceded this weakness in part by providing £71m from its own resources for the cash alternative. Guinness has the scope to pay down debt through disposals – Singer & Friedlander is unlikely to remain within an enlarged group – but it must be hoping that Britannia shareholders will take its paper. They may do, but not yet.

Tin

While the London tin market remains shut, until Thursday at least, members of the International Tin Council meet today to pick up the pieces after ITC's collapse last week. Before the market reopens, the council will have to reach agreement with its creditors—both brokers and banks – which will revive confidence in its ability to trade without going bankrupt.

Much as they may dislike it, the sovereign members of the council might conclude that there is no alternative to stumping up more cash. It is, after all, the free market's revenge – the producer countries have for years had the benefit of tin prices higher than would be justified by any measure of world demand, and the payoff has now arrived.

Once the market reopens, more people will have cause to worry than just the creditors of ITC. Even if the council continues to act as a buffer of prices, it will have to set its trading floor well below the £8,000 or so per tonne of last week. Woe betide anyone who is long of tin.

World Weather

		°C	°F
Ajaccio	F	20	68
Akrotiri	S	21	70
Algiers	C	22	72
Amsterdam	F	10	50
Athens	S	18	64
Bahrain	S	31	88
Bangkok	C	32	90
Barcelona	—	—	—
Beirut	C	18	64
Belgrade	Fg	3	37
Berlin	C	5	41
Biarritz	F	14	57
Blackpool	F	11	52
Bordeaux	S	13	55
Brussels	C	7	45
Budapest	Fg	1	34
B. Aires	C	21	70
Cairo	S	24	75
Cape Town	F	18	64
Caracas	C	28	82
Casablanca	S	21	70
Copenhagen	C	9	48
Corfu	F	20	68
Dublin	F	11	52
Dubrovnik	S	18	64
Faro	S	22	72
Florence	C	18	64
Frankfurt	C	2	36
Funchal	F	23	73
Geneva	C	9	48
Gibraltar	S	22	72
Guernsey	C	11	52
Helsinki	S	0	32
H. Kong	F	27	81
Innsbruck	S	12	54
Inverness	C	11	52
Istanbul	S	14	57
Jersey	C	11	52
Jo'burg	F	25	77
Las Palmas	—	—	—
Lima	C	21	70
Lisbon	S	19	66
Locarno	S	12	54
London	C	11	52
Los Angeles	C	24	75
Luxembourg	Fg	0	32
Madrid	F	17	63
Majorca	—	—	—
Malaga	—	—	—
Malta	C	23	73
Manila	S	31	88
Miami	C	29	84
Milan	S	13	55
Moscow	Sn	1	34
Munich	C	1	34
Nairobi	C	24	75
Naples	F	20	68
New Delhi	S	28	82
New York	S	22	72
Nice	C	20	68
Oporto	S	21	70
Oslo	C	5	41
Paris	C	3	37
Prague	C	0	32
Reykjavik	R	9	48
Rio de J'o	C	26	79
Rome	F	19	66
Salzburg	C	3	37
Seoul	C	22	72
Singapore	F	30	86
Stockholm	F	4	39
Strasbourg	Fg	2	36
Sydney	F	19	66
Taipei	C	28	82
Tangier	F	21	70
Tehran	—	—	—
Tel Aviv	S	23	73
Tenerife	—	—	—
Tokyo	S	18	64
Toronto	C	16	61
Tunis	F	21	70
Valencia	—	—	—
Venice	S	14	57
Vienna	S	5	41
Warsaw	C	2	36
Zurich	C	5	41

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Commission unveils EMS plans

Continued from Page 1

Finance Minister, welcomed the initiative of the Commission to put monetary affairs into the Treaty, but warned that the move did not go far enough. He said the text should not simply be limited to writing down what was already agreed, but should set out targets for the future to stimulate new programmes of monetary co-operation.

The Commission plan would require member states to treat their exchange rate policy as a matter of common concern, and co-operate within the framework of the EMS.

On the exchange rate mechanism, it simply says those member states would participate "which are able to assume the resulting obligations."

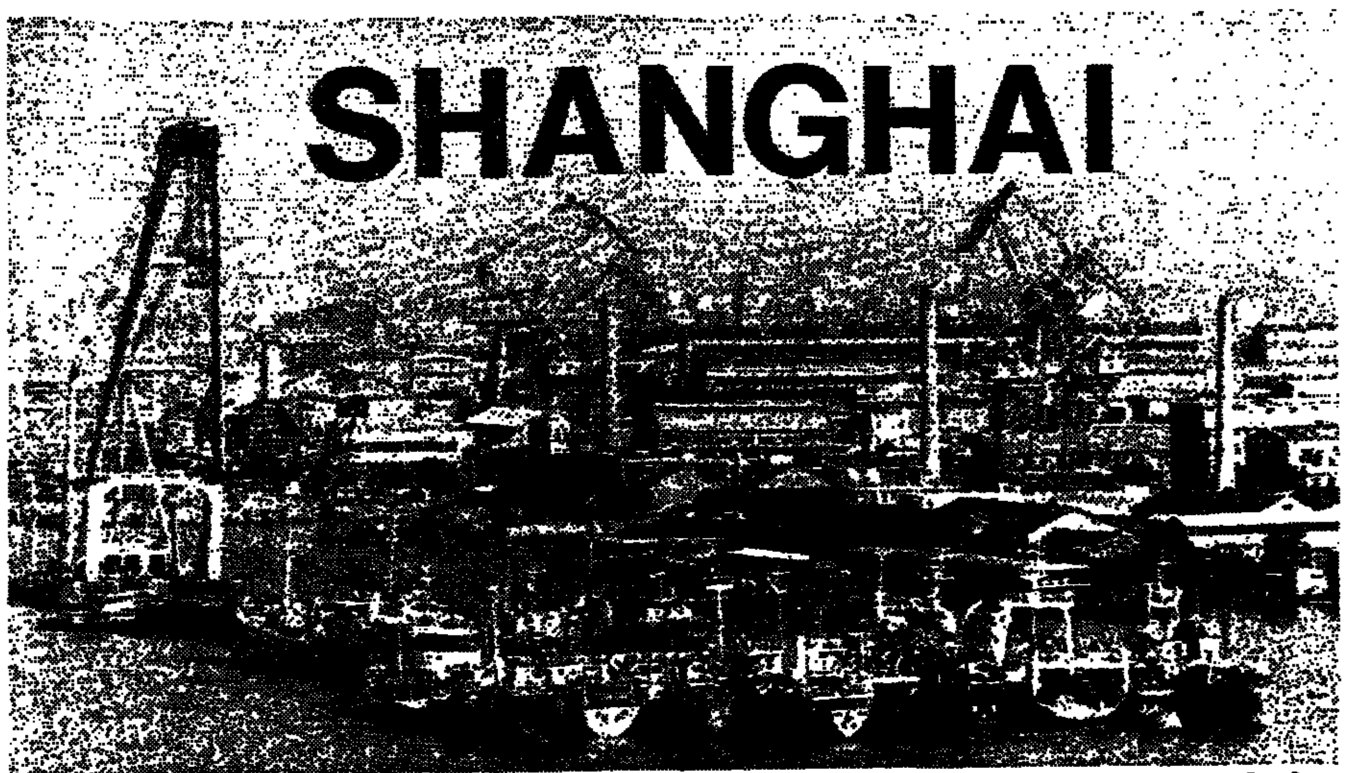
The changes then seek to spell out the role of the European Currency Unit (Ecu) as "the foundation of the system ... used in particular for settlements between the monetary authorities of the member states."

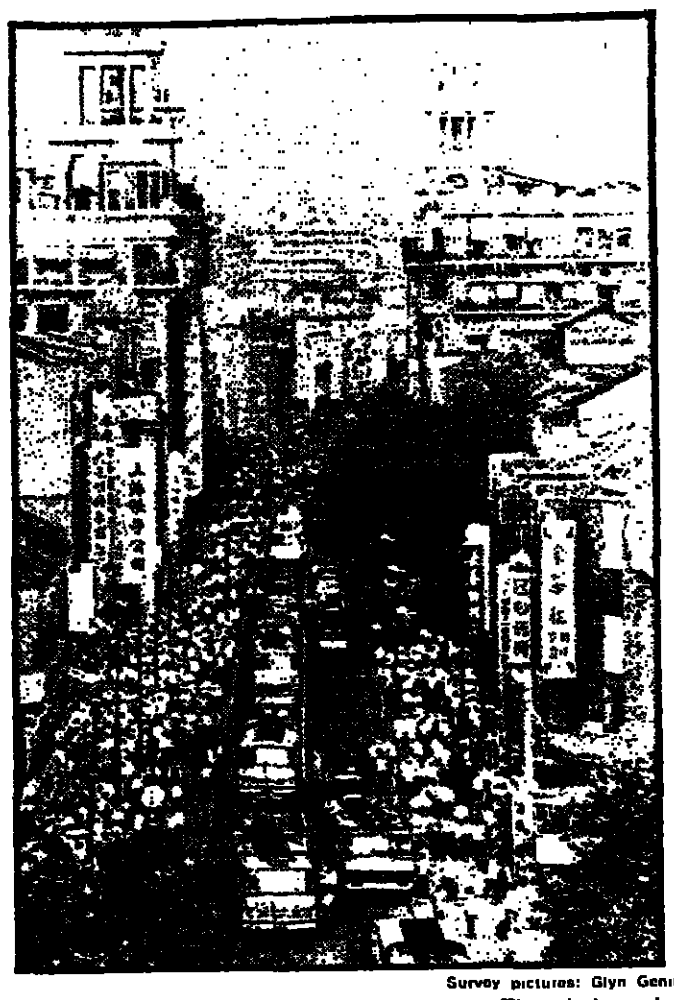
The European Fund for Monetary Co-operation, the body which arranges the necessary currency co-ordination for the proper functioning of the exchange rate mechanism, would be given "the autonomy necessary for the performance of its tasks." The Commission is also seeking to have a full member on the board, at present only representing the 10 central banks.

Finally, it proposes that any move to convert the monetary co-operation fund into a full-scale European Monetary Fund would require unanimity of the member states, and full national ratification. The role of such a fund, the subject of continuing differences among the Ten, is left entirely undefined.

By putting the whole EMS into the Treaty of Rome, the Commission would finally remove any doubt about its own competence in monetary affairs and its ability to make proposals for the future development of the system.

SECTION III
FINANCIAL TIMES SURVEY





Ageing industrial buildings crowd the waterfront, where ships queue for an average of two months for berths. The city's characteristic congestion is also apparent in Nanjing Lu (right), the main shopping street, where shoppers and traffic compete for space

Survey pictures: Glyn Genin

Substantial foreign capital will be needed to renovate the city and modernise industry after decades of neglect while the economy expanded

A dynamo run into the ground

By David Dodwell

IT DOES not take long among the 1m-odd window shoppers that every day buffet each other down Nanjing Lu, Shanghai's main shopping street, to discover the vital energy latent *in China's greatest city.*

Equally, one soon discovers that Shanghai is a city locked in its past, tied to a history of which it is proud, and at the same time embarrassed. Aware that Shanghai before the Communist victory in 1949 was known as the Paris of the Orient and more wealthy than any other city in Asia, its people are haunted by the shocking corruption that was part of this period.

Though it is home of some of the finest buildings in Asia, particularly those along Zhongshan Donglu (what used to be called the Bund), successive administrations have allowed this unique heritage to fall into ruin. Were it not for the pristine splendour of Shanghai's city hall—once the headquarters of the Hongkong and Shanghai Banking Corporation—one could be forgiven for thinking the neglect was accidental.

Because Shanghai was such a force before 1949, there is nowhere in China where efforts have been greater to demonstrate the superiority of socia*list bureaucratic economics.* It was bemusing to some and alarming to others during the fraught Sino-British negotiations over the return of Hong Kong to Chinese sovereignty to listen to cloistered party loyalists trying to calm the fears of Hong Kong people by pointing to the success that had been made of Shanghai under socialist rule.

They did not need to listen to many responses to realise they ought to try a different tack.

Many Chinese seemed puzzled, even hurt, by these responses. For many foreigners, Shanghai is a city that has apparently stood still since the 1940s, but in local eyes it has been the catalytic centre for much economic growth. For any Chinese consumer, the "Made in Shanghai" label is synonymous with high quality. While in 1949 it was a city mainly of commerce and trade, today it is an industrial leader.

The city is today the most powerful economic dynamo in the country. It boasts advanced industries and skilled workers. It accounts for one-sixth of China's national income, one-quarter of its foreign trade, and more than a third of the port tonnage handled in China. But it is a city that has been run into the ground.

Industrial growth since 1949 has occurred with virtually no attention to Shanghai's infrastructure. As a result, heavy industries sited close to the city centre are pumping toxic wastes into its rudimentary 19th century sewerage systems traffic congestion is chronic, and living conditions for the 12m population are often abysmal.

Even Shanghai's industries have been run into the ground. *About half of the city's* industrial equipment pre-dates 1950, with a further 33 per cent installed before 1960. The port, which handles more than 100m tonnes of cargo a year, is hopelessly overstretched. Early in October, more than 160 vessels were waiting in the Yangtze for berthing space—and waiting time averages two months.

"Successive administrations have used the city's resources to the point of exhaustion," one experienced diplomat noted. "And now they are faced with the problem of tackling all of the problems at once."

A sense of decline has been aggravated as cities elsewhere on China's coast and in its interior have been allowed to establish direct commercial links with the outside world. Shanghai's exports have stagnated at about US$3.6bn since 1979, as a steady but unimpressive growth in locally-produced exports has been neutralised by a decline in entrepot business.

The decision that urgent remedial action was needed came at the end of last year when a study group headed by Premier Zhao Ziyang came to assess the pleas by the city's then mayor, Wang Baoshan. Premier Zhao accepted that for too many years, Shanghai had been used as a milchcow by the central government.

The city was allowed to retain a larger share of the earnings that are passed on to Peking, and was given clearance to divert more funds into repairing the infrastructure. It was also granted Yuan 200m a year for industrial renovation.

Mayor Jiang Zemin, who succeeded Wang four months ago, faces the thankless task of pushing reform through the most entrenched metropolitan bureaucracy in China.

The bureaucracy is the more of a minefield because of the constant tension between proud and insular local officials, and those from Peking intent on maintaining central control over the city. Paradoxically, Shanghai is too important to state coffers for the central government to allow big decisions to be made outside Peking.

This explains why Jiang has been picked "to ride the tiger" at the head of the city's administration. He is Peking's man, with direct backing from Premier Zhao, but is also well aware that if he is to succeed, he must establish local credentials. He was born in nearby Jiangsu province, educated at Shanghai's Jiaotung University, and spent a chunk of his working life in the city.

He is one of a growing group of technically trained officials who have taken the administrative reins in provinces and municipalities across China.

The development plan drawn up early this year sees improvement of the infrastructure and modernisation of industry going hand in hand. New sewerage and fresh water systems are being planned. Tunnels, bridges, elevated roads and one-way systems are being planned to improve traffic circulation.

An underground railway—criticised by many as too expensive and technically too difficut in Shanghai's waterlogged subsoil—is also being proposed. A coal-gas plant to bring piped gas to homes throughout the city is soon to be built. Big housing projects are under way in the suburbs.

City planners say industrial development will hinge on high technology ventures, with factories using less sophisticated techniques being transferred to other cities. Factories will be moved out of the city centre and into industrial zones around the periphery.

Substantial foreign capital will be needed for this modernisation, but how it will be generated in sufficient quantities has yet to be explained. The tightening of central control over access to foreign exchange will not make the task easier, though there are several reasons why Shanghai should fare better than other cities in China:

● It will remain a stronger magnet for foreign investment than most cities, mainly because of the technical strength of its workforce and its strategic location for exporting and for tapping resources in China's interior.

● The city has in recent years used its foreign exchange resources more sparingly than elsewhere. These accumulated funds will provide valuable padding at a time when quotas from Peking are being cut.

● *A large community of overseas* Chinese with family roots in Shanghai have been willing to reinvest in their home city on a substantial scale. It is no accident that Hong Kong, adopted home of large numbers of Shanghainese, is Shanghai's largest trading partner (accounting for 18 per cent of trade) and the city's largest source of foreign investment.

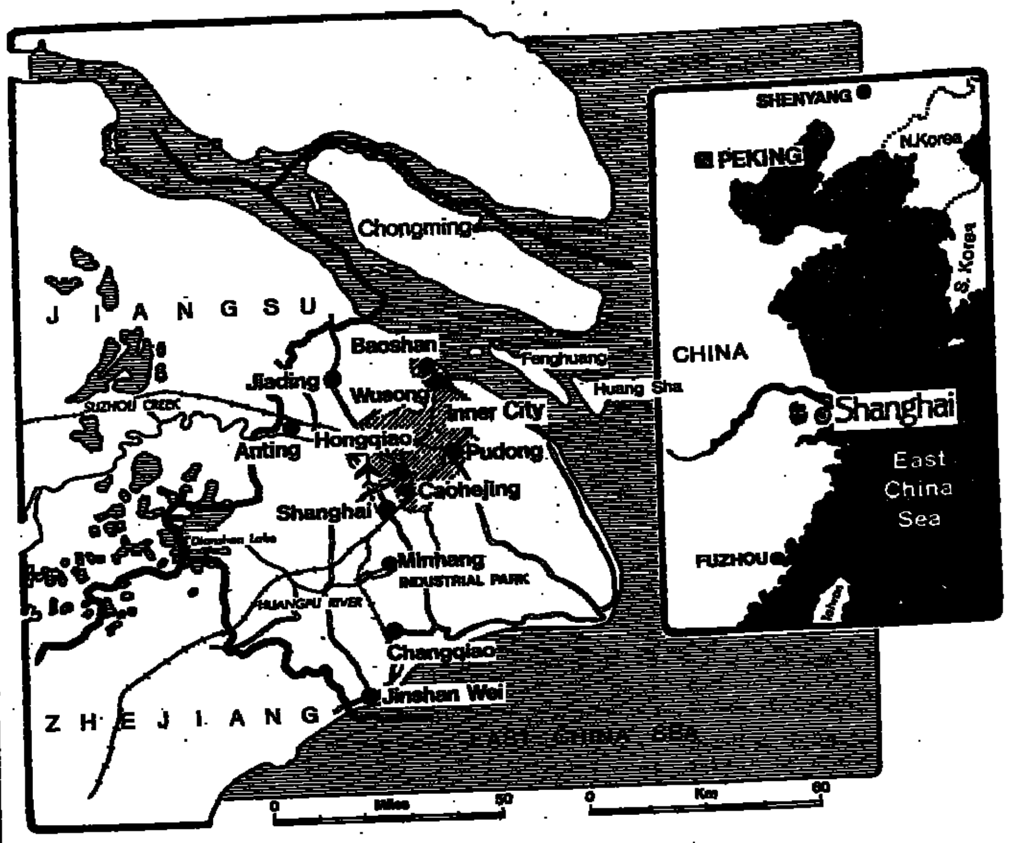
The support of Hong Kong patriots has been a mixed blessing, since most of the ventures they have been linked with involve hotels, property development or the quota-blighted textile sector. The city's major foreign ventures—whether with Volkswagen of West Germany to manufacture the Santana car; the Baoshan steel plant; the Pilkington plate-glass plant; or the deal with MacDonnell Douglas of the U.S. to manufacture passenger aircraft — have been drawn up with partners further afield.

It is these ventures that are likely to provide the stimulus *for the technological upgrading* of Shanghai's industry.

The link with Hong Kong is nevertheless likely to remain strong. Many in Shanghai feel that the British territory on China's southern coast has usurped its pre-eminent role, and an important stimulus for growth in the longer term may be a keenness to recover that role. *If this gives impetus to* China's policy of "opening up to the outside world" there would probably be few in Hong Kong who would object to the challenge.

CONTENTS

	Page		Page
Infrastructure	2	Volkswagen venture	
Mayor Jiang Zemin		Trade	5
Sitco		Harbour	
Foreign investment	3	Development zones	
Patco		Rural areas	6
McDonnell Douglas venture		Film industry	
Industry	4	Heritage	
Baoshan steel			



At peak travel hours, 11 people stand in every sq. metre of bus space in this crowded city

Social problems on a grand scale

EACH MORNING at about 6.30 the chaos begins. Impatient bell-ringing cyclists push through a mass of pedestrians forced on to the road by the crush of a grossly overcrowded footpath. Equally impatient bus drivers attempt to get their way by driving straight at the pedestrians and cyclists.

Such is the congestion of Shanghai, where each resident in the most crowded suburbs has 2 sq metres (21.5 sq ft) of living space as 12m people fight for a place in the smoke and buses carry 16m passengers during the peak-hour rush.

Shanghai has social problems on a grand scale. There is not enough housing, causing doubling and tripling up of families in already overcrowded circumstances.

Transport infrastructure cannot cope with the load. The city's narrow and winding streets are overburdened by 3.5m bicycles and 105,000 motor vehicles, increasing by 10 per cent each year. Transport authorities have calculated that at peak hour, 11 people stand in each square metre of bus space. Those authorities tried to put 22 shoes in a square metre and found that they would not fit.

The city's subway plans have stalled. Planning began in 1958, was halted during the Cultural Revolution years and started again in 1978. The Municipal Engineering Administration Bureau has just submitted plans for a resdesigned Yuan 2bn network covering 10km.

Some 40 per cent of the city's rainfall is acid rain, and the Environmental Protection Bureau says both the frequency of falls and the acid content are increasing. The bureau suggests the city might be the noisiest in the world, with a cacophony of bicycle bell-ringing, car horns and barge foghorn blasts, as well as noisy factories in residential areas.

In spite of the catalogue of problems and the municipal government's drive towards infrastructure improvement, opportunities for foreign business involvement in the overhaul of Shanghai are limited.

The task involves developing roads, improving the telephone system, tunneling under or bridging rivers, and building high-rise housing complexes. But these generate little or no foreign exchange income, so the Government is reluctant to make the foreign exchange commitment to interest overseas investors.

Instead, the city has relied on benevolence. The World Bank has provided U.S.$100m in loans for liquid waste control and the U.S. Commerce Ministry, through a trade development project, has given $250,000 for environment protection. Osaka, in Japan, will give an unspecified sum for air pollution control and the Australian Development Assistance Bureau is funding a team of researchers devising urban renewal projects.

The Australian project provides a good example of the difficulty of making money out of infrastructure development. Part of the grant has been assigned to design and installation of a traffic control system. A transport specialist estimated that Shanghai's "saturation flow"—the time taken for the average car to move when a traffic light turns green—is 12 seconds, whereas in Sydney it is 1.8 seconds.

The Australians have given the city 28 intersection microprocessors, which monitor traffic flow and allow lights to be changed accordingly. But they have been held up in attempts to convince Shanghai's Public Security Bureau that it must pay for another 200 such devices it wants from Australian companies.

Gao Yangzhi, deputy chief administration officer of the Postal and Telecommunication Administration of Shanghai, says the city would be reluctant to engage in joint ventures to update its communications network, but is, like most Chinese departments, interested in soft loans from overseas to buy foreign equipment.

The department is considering ways of raising money to finance internal expansion of telecommunications. One is to issue bonds, another to collect fees in advance from subscribers.

There are plenty of subscribers to extract payments from. At the start of 1984 there was a waiting list of 18,000 and during the year 15,700 phones were installed. This year about 17,000 phones will be installed but the waiting list has grown to 50,000.

"Next year we hope to have 50,000 new installations but by the end of the year the waiting list will be 100,000. The more we instal the more they want," Gao said.

A successful means of raising local capital has been through payments by large factories for network expansion in their region. The telecommunication administration received RmbY 53m from the Baoshan Iron and Steel plant for the installation of internal and external telephone systems. In return, the administration gave Baosban priority service and will charge the plant cut-price rates for calls to other provinces.

How tightened foreign exchange control will affect the administration's plans for such things as fibre optic and microwave communications systems remains to be seen. Goa says: "We will have foreign exchange from local government. The projects for the seventh five-year Plan have been earmarked. A few smaller projects could be affected."

Another crucial problem for development is the balancing of the push for improved production quality with the need for sustained action against environmental problems that threaten to strangle the city and pose a serious threat to the quality of life.

The Environmental Protection Bureau's head of foreign affairs, Cao Dexing, warned that unless the drive to clean up liquid waste disposal is continued then the Huangpu River will be a badly polluted by 1990 as the malodorous and filthy Suzhou Creek. This is a victim of both human and industrial waste, with factories discharging oil, copper and cyanide.

Infrastructure

ROBERT THOMSON

PROFILE: MAYOR JIANG ZEMIN

Cautious move to reforms

PEKING'S recent appointee as mayor of Shanghai, Jiang Zemin, has made great play of being a local and a man with the common touch. Early reports showed him shovelling melon peel as part of a city clean-up campaign, and directing flood control efforts in the wake of summer typhoon rains.

They even had him chatting in Shanghai dialect with street vendors—which was stretching the truth since he speaks only fractured Shanghainese.

This image building not only suits Jiang's flamboyant temperament, but is probably essential if he is to hold down one of the most demanding jobs in China.

In a city that has been the model of socialist bureaucratic economics and a home of state industries, he has the unenviable task of preaching greater local autonomy and trimming bureaucracy. After 30 years of preoccupation with industrial investment, he has the controversial job of restoring an infrastructure on the point of collapse.

He heads a city that is on the one hand so important to China that economic planning is kept firmly under Peking control, and on the other is fiercely proud, and independent. He is sufficiently far from Peking to know that without a local constituency from which to draw support he is likely to fall in an undignified heap between two stools.

Jiang is better equipped than most to reconcile these forces. He has never worked as a general administrator but his range of experience in industry, research and central government confirms his claim to be a Jack-of-all-Trades.

With the support of Premier Zhao Ziyang in Peking, where Jiang last worked as Minister Electronics, his back is as safe as can be.

In Shanghai he may not be a local but can claim to be familiar with the city. He was born at Yangzhou, in Jiangsu close to where the grand canal meets the Yangtze River, but he was educated in power engineering at Shanghai's Jiaotong University, and worked after 1949 in Shanghai factories. In 1962, after working in Changchun and in the Soviet Union, he returned to Shanghai as head of a research institute.

If he manages to build up a local constituency, he will have succeeded where Wang Baohan, his predecessor, failed. Views on Wang's achievements had begun to mellow before he stepped down. He is credited with persuading Peking to provide Shanghai wih more funds.

His failure to implement significant change is attributed to resistance from senior party officials. It is no accident that as he has stepped down, so a number of other senior Shanghai officials have also left.

Jiang is keen to emphasise continuity. The development plan drawn up by Wang provides the blueprint Jiang intends to follow.

Jiang has moved cautiously. He is well aware of the headaches ahead, where he must challenge local vested interests and cut through one of the most treacherous bureaucratic thickets in China. Observers and officials do not underrate his skills, but few are taking bets on whether he will succeed.

David Dodwell

SITCO

BY DAVID DODWELL

Funding foreigners

SITCO is a "multifunctional corporation," says Chen Rong, executive vice-president of the Shanghai Investment and Trust Corporation (Sitco).

Multifunctional seems to be a buzz-word in the organisation. But not without reason since Shanghai's municipal bureaucracy is a maze of single-function departments, and pays a high price as a result.

Sitco is first and foremost a financial institution, providing funds for foreign ventures in Shanghai, raising loans and providing guarantees. By the end of the year, plans will be laid for its first international bond issue, probably on the Tokyo market.

The corporation, set up in 1979 with authorised capital of Yuan 500m, has also been active importing capital equipment and high technology knowledge, in local property development, has taken equity stakes in Shanghai ventures and provides consultancy, feasibility and legal services to potential foreign investors.

It is headed by Liu Jingji, a former capitalist who has been given a role again since the economic liberalisation leading up to 1979. Liu also heads the Patriotic Construction Corporation, which has similar powers and close links with Sitco. As a state-controlled corporation but not a government agency, it has a flexibility that few government departments can offer—hence the claim to be multifunctional.

This has led to barely-disguised jealousies among institions like the Bank of China, which provides financial services identical to those of Sitco and has felt threatended by its recent growth.

Foreign observers in Shanghai warned that potential investors could find themselves frustrated if they inadvertently triggered such rivalries.

It has invested Yuan 290m in joint ventures between foreign and Chinese companies. These range from fashion, furniture and shoes to light bulbs, steel and the operation of a luxury passenger liner plying between Hong Kong and Shanghai.

Chen Rong, executive vice-president of Shanghai Investment and Trust Company

Deals delay in currency confusion

Foreign Investment

DAVID DODWELL

"INVESTING in China is a punter's game," comments Mr Patrick Furlong, who heads Pilkington's Yuan 430m joint venture in Shanghai to make plate glass by the end of 1987: "The Chinese Government has allowed itself to see the project as one that makes a profit. There are moments when I wonder how it is possible, but I remain optimistic because I believe the Government still wants it to be successful."

Judging by the amount of investment interest that remains over China, the business world still has punters a-plenty. Most share Mr Furlong's equivocal views — though few are willing to talk openly about them, for fear of spoiling business prospects.

Investment in Shanghai offers attractions rarely found elsewhere in China, but at the same time has its share of unique frustrations. The city has skilled labour and industrial expertise. It has a business community with a sophisticated knowledge of foreign trade, and well-established commercial links with the whole of China's interior.

In contrast, it has a Byzantine bureaucracy, and most of its factories are creaking with old age. Its infrastructure is close to collapse. Shanghai businessmen are notorious for driving hard bargains, which make joint venture negotiations protracted.

Shanghai officials are unrepentant about their "sharp" image. Mayor Jiang Zemin is as blunt as most: "Foreign investors do not want to do business with fools, do they? Negotiations may be slow at first, but when an agreement has been reached, then it usually works well."

The recent tightening of central control over fast-depleting foreign exchange reserves has thrown into confusion the ground rules for doing business in China. Shanghai, with substantial conserved funds of its own, has been affected less severely than most. It has won an extra Yuan 200m a year from state funds for rejuvenation of industry, and has been allowed to retain a significantly larger share of the earnings of its industry, so that work can begin on its groaning infrastructure. The squeeze has nevertheless been as apparant in recent months as it has elsewhere.

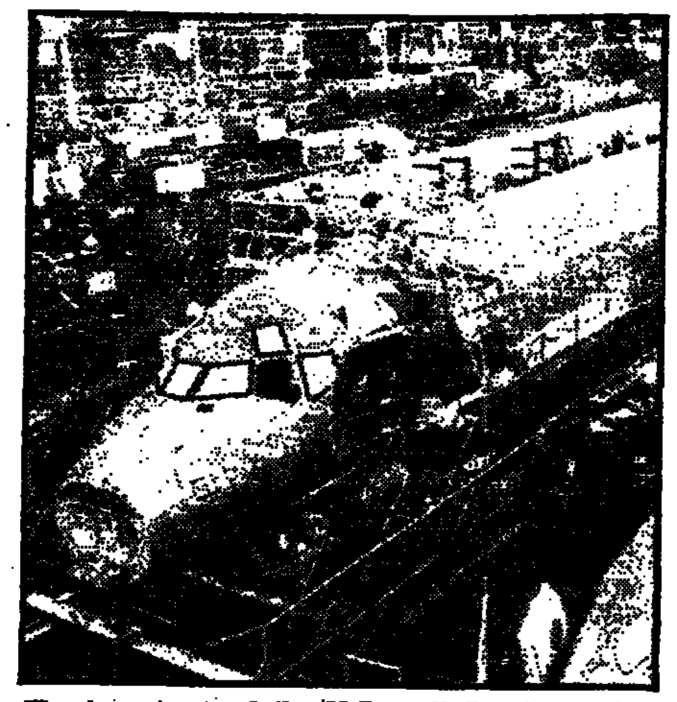
Early in October, a list of 12 items no longer eligible for foreign investment was published. They include cotton textiles, consumer electronics assembly lines, buses, elevators, and a range of "white goods." The targets have been products that are undermining demand for home-grown goods, ventures that involve the long-term import of sub-assemblies or components, or non-essential consumer goods.

"We had an import fever last year," said Chen Rong, executive vice-president of the Shanghai Investment and Trust Corporation (Sitco): "Too much was imported. It did not enhance China's modernisation efforts, and it hit our own industries."

Many Chinese officials feel they have been short-changed on a number of deals, getting second-hand equipment, or finding themselves locked into a long-term obligation to import expensive components or raw materials.

For many foreign executives, such tightening is understandable. Confusion more often focuses on the unwritten changes taking place. Despite claims from the Bank of China and other government officials to the contrary, foreign executives are talking of a much more literal enforcement of the requirement that the foreign exchange costs of a venture are covered by foreign exchange earnings.

Import substitution deals are still possible in official terms, but in practice are proving impossible to agree. More exotic and imaginative arrangements, like that by 3M of the U.S. to cover the foreign exchange cost of a manufacturing venture for the local market by exporting Chinese goods, have also floundered as China's powerful import-export corporations have blocked what they see as moves undermining their interests.



The importance of the McDonnell Douglas venture with Shanghai has put it outside foreign exchange rules

One success story is Shanghai Foxboro, a joint venture making control systems for China's oil, coal, chemicals, power and other heavy industries. Foxboro of the U.S. has been allowed to fund the import of electronic components by exporting products made by its joint venture partner, and by taking a commission on Foxboro products sold elsewhere in China.

Whether Foxboro will be able to remit its profits in foreign exchange is a matter that will take some time to resolve, since it plans to plough back profits for the first five years.

Another model joint venture, that between the Shanghai Elevator Works and Schindler of Switzerland, seems likely to succeed on the basis of the venture exporting 20 per cent of the lifts it manufacturers.

At Shanghai United Wooltex, Shanghai's first joint venture, future growth is closely linked with export performance. The venture, with a Hong Kong partner, exports high quality sweaters, made from angora, cashmere and camelhair wool. Export earnings pay for the import of high-technology knitting equipment, and of lambswool to make sweaters for the domestic market.

Over 1983 and 1984, foreign exchange earnings were strong, but tables have turned over the past year. Quota limits in the U.S., and difficulties making inroads into the Japanese market, have stalled export growth at a time when domestic prices for cashmere and angora are soaring.

A critical insight from several foreign bankers and legal advisers is that the closer fiscal control of foreign exchange being enforced would make ventures like that with Foxboro or 3M either impossible or unviable today. In general, joint venture partners must make a foreign exchange surplus.

Cutting across all of these rules are those instances where the Chinese Government decides a project is of such importance that special arrangements can be made. Such is the case with the McDonnell Douglas deal with the Shanghai Aviation Industrial Corporation.

Current experience of prospective foreign investors in China is that almost all negotiations are "on hold" until the country's foreign exchange picture becomes clearer.

This suggests that some of the controls in force will ease in due course. The general view is, nevertheless, that tighter overall fiscal control from Peking is here for some time.

In a city like Shanghai, with an urgent need to replace ageing industrial equipment, and a determination to establish itself as a high-technology centre for the rest of China, there seems little doubt that plenty of joint ventures will continue to be agreed.

Whether they prove profitable has to be seen.

PATRIOTIC CONSTRUCTION CORP

BY DAVID DODWELL

Capitalist finds a patriotic niche

CHEN WUQING is rich by Chinese standards, a capitalist, and was trained at the Massachusetts Institute of Technology in the U.S. and Imperial College, London. But it is as a patriot that he has found a new niche late in life inside Deng Xiaoping's China.

As vice-president of Shanghai's Patriotic Construction Corporation (Patco), he sees himself "filling the gaps" in China's planned economy—at a healthy profit to the 1,200 other patriots who in 1979 invested a total of Yuan 57m in the enterprise. The company's registered capital has since swollen to Yuan 200m.

"When the Government returned property to people who had been capitalists up to 1949 it was impossible to spend the money right away," Chen recalled. "A number of people pooled their money to operate this company."

The main moving force was Liu Jingji, a textile boss up to 1949 and now chairman of the corporation.

Patco employs close to 8,000 people, has investments in more than 100 ventures, and has 100 joint ventures with businessmen in Honk Kong. It has invested heavily in property, making a substantial profit on the construction and sale of 15-storey apartment buildings for overseas Chinese, and now building two 30-storey buildings for sale as offices and apartments.

It has also invested in industry—its biggest involvement being in a shoe-making factory employing 1,800—and has a 25 per cent stake in the Jinjiang, a luxury passenger liner that plies twice a month between Hong Kong and Shanghai.

Patco is entitled to export directly from its factories without having to go through China's state-run import and export corporations. It can arrange joint ventures with manufacturers in China's interior and provide consultancy services to foreign companies seeking business partners in the region.

In short, it has won the power to cut a swathe through the bureaucratic thickets that so frustrate efforts by foreign businessmen to trade with or invest in China.

Most links have been with overseas Chinese — mainly in Hong Kong, but others are in South-east Asia and the U.S. About 100 of the original investors in Patco were resident in Hong Kong. Chen insists however that this need not be the case, and that Patco can work equally effectively with non-Chinese investors overseas.

Chen Wuqing, vice-president of Patco

At the age of 63, Chen harbours little open resentment for the humiliations that came in the wake of cummunist takeover in 1949. In spite of being forced to work for 10 years on a lathe in a factory that once belonged to his father, he says he was never bored. After university training as a mechanical engineer, the manual work was almost always interesting, he says.

He shows no regrets over losing the fortune he would have inherited from his father. "My education was the best asset my father left me," he says. Chen now earns about Yuan 2,500 a year—modest by international standards, but more than twice the average salary in Shanghai.

His strength is that he is one of a tiny handful of people in China who have a practical business knowledge. "We have run companies, and in particular have experience of doing business with businessmen from overseas."

That knowledge shows little sign of having dulled after more than 30 years of disuse. While "filling the gaps," Chen and his fellow patriots attribute their successes to flexibility, efficiency and good faith

While China's state-run enterprises remain enmeshed by the country's bureaucracies, continued success seems almost certain.

McDONNELL DOUGLAS VENTURE

BY DAVID DODWELL

Costly commitment takes flight

THE ONLY things flying along the tarmac at the Shanghai Aviation Industrial Corporation's plant north of Shanghai at the moment are buses. By January the first kit to assemble McDonnell Douglas MD-82 aircraft will have arrived, providing what the Chinese authorities hope will be the foundation of a modernised civil aviation industry in China.

The corporation (Saic) took six years to reach agreement with McDonnell Douglas on a U.S.$600m deal to buy and assemble 25 kits. Most of its 10,000 workforce until now has been making buses, trucks and vans. Since 1970 it has repaired civilian aircraft and built three prototype Y10 aircraft.

The Y10 has been designed and built independently by China. While one has been undergoing tests for three years, the aircraft's future depends on how happy a marriage Saic consummates with McDonnell Douglas.

For a country that is anxious about dipping into its foreign exchange reserves, the co-production agreement (it is conspicuously not a joint equity venture) is a costly one. Saic is committed by buying one completed MD-82, McDonnell Douglas's successor to the DC-9, and a further 25 kits each costing about U.S.$23m. It has an option to buy a further 15.

The Government seems willing to accept this high cost for several reasons. First McDonnell Douglas has committed itself to providing extensive training of Saic staff in Shanghai and in the U.S. Second, a range of sub assemblies will be fabricated in Shanghai, including landing-gear doors (for which Saic has had a contract since 1979), nose fusilages, horizontal stabilisers and cabin floors.

Most important, the agreement provides for Saic staff to work with engineers from McDonnell Douglas and Aer Italia of Italy on a three-year "technology readiness programme" aimed at manufacturing a new propfan aircraft.

Engineers believe a propfan system can be designed by the 1990s for short-haul aircraft carrying up to 150 passengers. Such an aircraft would have potential in China, with its latticework of short-haul routes. The fate of the home-grown Y10 aircraft seems likely to depend on the success or failure of the project.

For McDonnell Douglas, the venture marks a breakthrough into a market dominated by Boeing. Two MD-82s have been in service from Shanghai since 1983 but few other successes have recorded by comparison with its main competitor, the Boeing 737. The aircraft is nevertheless ideal according to Hu Dingzhou, vice-president of Saic.

"Our operation records show that it is an excellent aircraft for domestic routes and short to medium-range use. Operation costs have been quite low," he says.

Hu expects two MD-82s to be assembled next year, going into service by early 1987. Assembly will accelerate as staff become more experienced, with seven or eight aircraft being made in 1990 and 1991.

Human talent will eclipse old stock

Industry

STEVEN BUTLER

IT IS no small irony that Shanghai, a modern and sophisticated city, seems to be lagging behind when the Chinese nation begins to plough ahead with industrial modernisation.

Shanghai this year lost its reigning status as China's pre-eminent industrial centre. In the first six months, neighbouring Jiangsu Province surpassed Shanghai's industrial output.

The loss is symptomatic of problems and opportunities facing Shanghai. The city boasts the most mature, sophisticated and highly integrated industrial base in China. In part because of its maturity, city officials concede that it cannot compete with provinces that are expanding by over 20 per cent each year.

The economy is hemmed in by long-term neglect of the city's infrastructure, which is crumbling and outmoded. Factories shut down on a rotating basis to conserve electricity. They remain idle while raw materials and supplies sit in ships waiting to unload.

But Shanghai's slower industrial growth will hardly affect its critical role in the modernisation of China. Service sectors are expanding rapidly, and as it climbs higher on the developmental ladder, Shanghai's human capital should begin to eclipse the city's immense stock of physical capital.

Shanghai has always been the place where buyers throughout China came for high quality consumer and producer goods. Increasingly, factories throughout the nation are paying to use Shanghai's technology. They are sharing profits with companies to manufacture and sell products that bear a famous Shanghai trademark.

Shanghai factories are investing in and selling their outmoded equipment to the interior of China—all following commercial paths opened by national leader Deng Xiaoping's reform policies.

Shanghai has come under attack for dragging its feet on economic reforms and the reasons are easy to grasp. Nowhere does China boast such an impressive monument to socialist central planning. In 1949, Shanghai had a thin industrial base concentrated in textiles, cereal processing, cigarettes, paper, leather products, soap and matches.

Today it produces 12.8 per cent of China's steel, 18.9 per cent of the nation's bicycles, 14.2 per cent of machine tools, 29.1 per cent of chemical fibres, 27.6 per cent of televisions, and 15.2 per cent of plastics, with a gross industrial output in 1984 of Yuan 76.65bn.

But with socialist planning has come an immoveable legacy of bureaucracy. "Shanghai's bureaucracy is not worse than elsewhere in China," says a western resident. "It is just more encompassing."

Change, nonetheless, is coming. The city has spent more than U.S.$2bn annually in recent years to renovate industries. Half the city's industrial equipment dates to before the 1949 revolution, while a third was installed in the 1950s.

Some factories, especially in export industries, have a green light to comb the world for the best equipment.

The infectious enthusiasm that results from putting practical men in charge of their businesses is as great a reason for hope as anything the city has to show.

The Shanghai No 3 printing and dyeing works is in the midst of the third renovation in the plant's 60-year history. The former owner, Chemical Printers Association of the UK, installed new equipment in the early 1950s. Since 1979, the dyeing works has replaced half its machinery, spending U.S.$5m to import machines from German manufacturers such as Kuesters and Brueckner.

By the end of the decade the plant will have replaced all its machinery. Jin Renzhong, senior engineering, says his biggest headache is to keep the factory fully operating while installing the machines. But it is a headache he could have only dreamt about a decade ago. plant will have replaced all its products through the National Import and Export Corporation, adding bureaucratic delays that slow the turnaround time on orders to 45 days. Jin wants to trim the bureaucracy and further automate design processes to match Japanese competition, which can meet orders in 30 days although at a higher cost.

The Changhai Electrical Machinery manufacturing works, by contrast, plays a game that at times looks like free market wheeling and dealing.

The blast furnace commissioned at Baoshan

The factory manufactures everything from trolley bus motors to 300 megawatt generators, with some products under licence from Siemens, BBC and Westinghouse.

The state sets a hard quota for only 20 per cent of the factory's production and guarantees only 20 per cent of its raw materials supplies. Zhou Baisheng, vice-chief engineer of the plant, says the company must obtain up to half its steel through barter arrangements.

Shanghai has begun to make money on its considerable stock of intellectual talent. All the city's universities and research centres have set up consulting companies that can provide technology for a price or a share of future profits.

The breaking down of internal trade barriers is turning Shanghai into a regional and national centre for economic growth. Companies throughout China come to Changhai to set up shops and small factories.

Famous Shanghai companies in turn are setting up joint ventures, and licensing technology and trademarks for everything from bicycles to ping pong balls.

Shanghai has begun to lend money interest-free to raw materials producers. The reward is a guaranteed supply of raw materials at the fixed (cheap) state price.

The city has set up 19 specialised exchanges where buyers and sellers meet and negotiate sales and barters for virtually all kinds of production and consumer goods.

These new commercial channels—a mix of socialist and free-market practices—will take many years to form a clear pattern. But the trend is clear: Shanghai's days of rapid growth in industrial output are over. Its chance to pull the rest of the nation into the modern world, however, may have just begun.

BAOSHAN IRON AND STEEL COMPANY

White elephant fires up

THE Baoshan Iron and Steel Company could be the greatest white elephant ever spawned by socialist planners. On September 15 this mammoth complex, sprawling across 11 sq km to the north of Shanghai, fired its furnaces for the first time, opening a new chapter in one of China's longest running and most expensive romances with state-of-the-art technology.

Three years after the project's conception in 1978, Peking began to realize that cost overruns at Baoshan would break the national budget: but by then it was too late to back out. Much of the equipment for the plant had been imported and cancellation of contracts would have involved millions of dollars in penalty payments.

Instead China sacked the minister in charge of metallurgy and stretched out the construction period.

The Chinese bought most of the installations on a turnkey basis from Japan, relying on Japanese feasibility studies that proved inadequate. The sandy soil on the banks of the Yangtze River would not support the weight of the blast furnace or other heavy installations, forcing them to drive more than Yuan 1bn of imported steel pilings into the ground.

A 1.6 km pier stretches into a dredged section of the Yangtze, where heavy ore and coal carriers unload. Even so, a sand bar at the mouth of the Yangtze blocks ships larger than 50,000 tons.

The plant's Japanese equipment requires grades of iron ore found only in Australia, turning the plant into a long-term drain of precious foreign exchange. Carriers of 160,000 tons must offload half their cargoes into barges at Beiluen harbour, off the coast of Ningpo, and pass through the mouth of the river at high tide. One shipping specialist estimated the operation would add US$6 to $7 per ton to the cost of Baoshan's raw materials.

Chinese officials are negotiating with the Australian Government for a joint-venture ore mine, the terms of which will include a buy-back arrangement for Baoshan steel.

The first phase of Baoshan, which started up in September, cost China 12.8bn yuan, with some 8bn yuan for equipment. From that huge investment China will produce just 3m tons of steel annually.

In a second phase of the project, expected to cost another Yuan 8bn Baoshan will install a second blast furnace, a continuous casting shop, hot and cold strip mills, and another sintering plant, expanding capacity to 6.7m tons annually.

At current exchange rates, when the second phase is finished, the construction cost per ton of annual capacity should be $1,034. By contrast, the construction cost for South Korea's 8.5m ton facility at Pohang was $422 per ton.

China badly needs the steel that Baoshan will produce, and Shanghai will consume most of it. But only the peculiarities of socialist financing make the plant viable—the capital costs came out of the national budget. Baoshan has nothing to pay back and nothing to depreciate.

China did learn a few lessons. "When the investment is so large and construction period so long, don't do it all at once," says Mao Shunfa, an official of the plant.

Steven Butler

The first Volkswagen Santana kit assembled and the Shanghai model it will replace

VOLKSWAGEN JOINT VENTURE

BY DAVID DODWELL

Buy-back deal clinches project

THE SHANGHAI Tractor and Automotive Corporation talked for five years with eight international car manufacturers before opting for a 25-year joint venture with Volkswagen: The unique ingredient was a commitment to buy back engines, allowing the Chinese venture partner to balance its foreign exchange costs.

"An enterprise that needs to buy components from abroad but cannot earn foreign exchange to pay for them will not last long," says Zhang Bingpei, director of the Shanghai company since 1983.

As China's foreign exchange reserves dwindle at a rate that has alarmed Peking, so Zhang's warning rings even truer than when the joint venture setting up Shanghai-Volkswagen Automotive was signed last October.

Zhang's company has imported just over 400 Santana cars from Volkswagen in kit form since 1983. Under the Yuan 380m joint venture it aims to be turning out 20,000 a year of its own Santanas by the end of 1986, with local content amounting to 83 per cent of the value of each vehicle within seven years.

By 1988 the plant will be making 100,000 Santana engines a year—four-fifths being bought back by Volkswagen for their Audi and VW cars. The foreign exchange is expected to enable the joint venture to balance foreign exchange costs by 1989, Zhang says.

The single production line may seem modest by European standards but to the workers living round the new plant in the rural township of Anting, it is a far cry from the way in which they have made Shanghai cars for 26 years. In all that time they have turned out only 50,000, recently building capacity to 6,500 cars a year. From the end of this year, production of Shanghais will stop, to be continued at smaller plants in China.

A big training programme is underway in West Germany. A total of 36 Volkswagen staff is already in Anting, headed by Mr Hans-Joachim Paul, who must feel a little at sea after his last job as division head of Volkswagen's factory in Kessel, where 10,000 transmissions are produced each day.

With a market of more than 1bn people, Volkwagen may be hoping that before the end of the 25-year venture domestic sales will have rallied above current production levels. They would be rash to hope for this in public however. With a factory-gate price of Yuan 37,000—to be paid in foreign exchange rather than local currency—a Santana would be expensive even in Frankfurt.

In a country where the average worker takes a lifetime to earn Yuan 30,000, it will be some years before the idea of a family car is fulfilled.

Muted celebration on open-door policies

Trade

DAVID DODWELL

SHANGHAI REMAINS the most important focus for China's trade with the outside world, but its predominance has been eroded.

Most cities in China are celebrating new liberties and accelerated growth that have come as a result of the nation opening up to the outside world. Shanghai's experience since 1979 has not been so clearly a cause for celebration. Exports have stagnated, while imports have soared.

Officials say the figures are no cause for alarm. Exports that in 1979 amounted to US$3.68bn had slipped to $3.59bn last year, and are likely to fall further this year. After accounting for more than a quarter of China's exports in 1979 Shanghai now accounts for 14 per cent.

Several factors made this decline inevitable, officials say:

- Economic liberalisation has given inland cities like Nanjing, Wuhan, Wuhu and Chongqing the power to export directly rather than channel their manufactures through Shanghai.
- Rising domestic demand has made it more lucrative for local manufacturers to sell on to the domestic market rather than produce for export.
- Slow economic growth among main trading partners, particularly the U.S., has stunted opportunities for raising exports.

Paradoxically, stagnation in exports has not led to relief in Shanghai's congested Hangpu port. But while export cargoes are now checked through customs in cities up the Yangtze, they are still trans-shipped through Shanghai before being loaded on to vessels headed for Hong Kong, Japan, or further afield.

The port handled 101m tonnes of cargo last year, compared with 84m tonnes in 1979.

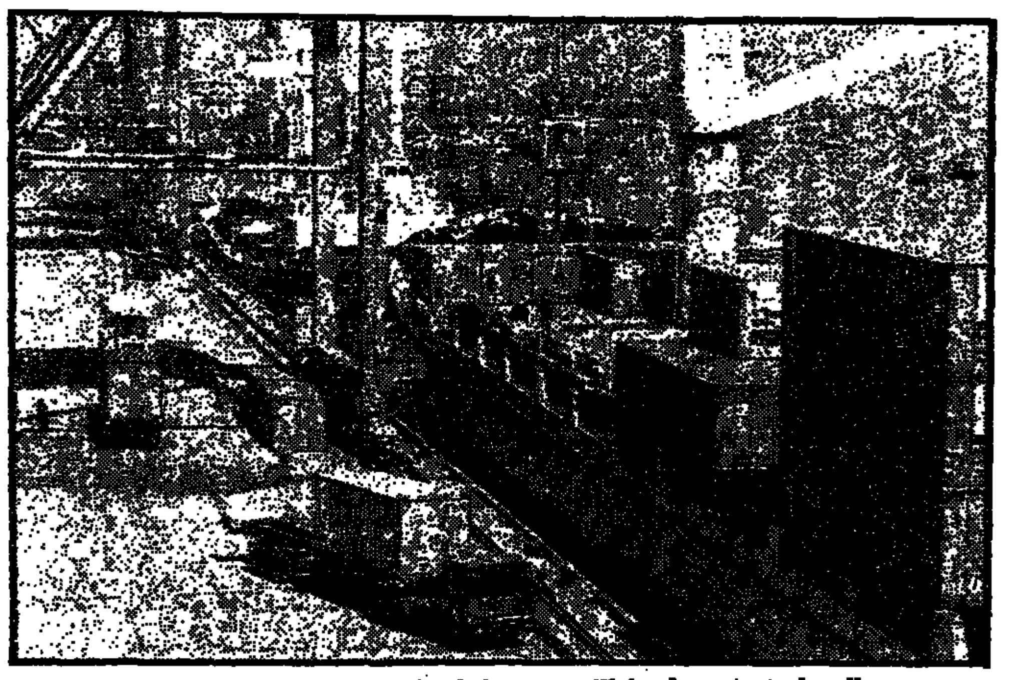
The increase in domestic demand, inevitable after decades of self-denial by Chinese consumers, has been felt strongly in Shanghai, a city renowned for the quality of its products. Manufacturers have frequently ignored export opportunities in favour of meeting local demand, not just because they have fewer headaches meeting the strict quality requirements and delivery deadlines normal for exported products, but because domestic prices and profit margins are usually higher.

This would matter little if so many of these manufacturers were not busy spending foreign exchange on overseas equipment to improve the productivity of their plant and raise the quality of products without at the same time earning the foreign exchange needed to fund it. Shanghai's imports have risen from $203m in 1979 to $1bn last year, and had passed $1.1bn by the end of August this year.

About a half of imports are still accounted for by steel products, but much of the increase is due to local manufacturers buying equipment from overseas. Almost 400 pieces of equipment were imported last year, at a cost of $480m.

The short-term answer to this loss of foreign exchange has been to make it much harder for Shanghai companies—and manufacturers throughout China—to win approval to spend foreign currency either to buy equipment or for joint ventures.

The long-term answer is to adjust the centrally-administered price-fixing system for domestic sales which is featherbedding local manufacturers. This could be done by lowering agreed procurement prices or by devaluing the national currency, which would make export prices more attractive.



In spite of investment, facilities are still inadequate to handle the rising tide of container traffic

Currency obstacle to foreign footholds

Development Zones

STEVEN BUTLER

THE Shanghai Minhang United Development Company, which started to clear 213 hectares of farmland 30 km south-west of Shanghai in 1983, has now completed infrastructure and construction of a 2,000 sq metre model factory and is hoping to sell or rent to a foreign company.

Minhang Industrial Zone was designed to solve a critical problem for foreign companies of finding land and building space with adequate services. Shanghai also boasts a new residential, hotel, and office area for foreigners, the Hongqiao zone, west of the city. Caohejing Microelectronics zone, aimed at supporting Shanghai's growing role as China's high-technology leader is on the drawing board.

Shanghai has taken pains to assure that companies can move into Minhang with a minimum of fuss and has expanded the highway to the city. It is 26 km from the airport, has a feeder rail link into the national systems, and a wharf is under construction near the complex that can accommodate 3,000-ton vessels.

The development company hopes to make a profit on Minhang. It is a joint venture, with 35 per cent of its Yuan 100m equity held by Hong Kong branches of mainland-controlled banks.

It has spent close to Yuan 80m preparing the site, building the model factory, a warehouse, a service centre and an administration building. It expects to spend more than Yuan 200m constructing a hotel, apartments, restaurants, and more warehouses and transport facilities.

The company hopes to earn money providing services to tenants rather just collecting rents. It will build factories to a customer's specification.

Minhang says it is talking to some 20 companies about moving into the zone, including Xerox, Pepsi-Cola, and Johnson & Johnson. Minhang will not accept heavy industrial projects or operations that cause heavy pollution. It is also interested in high-technology operations.

But so far Minhang has no customers. "We want companies to set up export industries," says an official of Minhang. "But most companies want to sell to the domestic market."

Minhang is stumbling at the obstacle facing all foreign investment projects — how to earn and repatriate profits in foreign currency.

The Hongquiao new district, about halfway to the airport, may face an easier task of finding foreign investors. It will provide office and residential space for consular services and foreign businesses and earn foreign currency directly.

Hongquiao will provide modern facilities for the foreign community, but some foreigners are unhappy about moving out of the central city into a sterile foreign ghetto. Consulate would be forced to abandon their beautiful old restored mansions.

Expansion exposes weak links

Harbour

STEVEN BUTLER

IN MID-OCTOBER 160 ships in Shanghai Harbour queued for a berth to unload. That was an improvement over July and August, when the authorities took emergency action to relieve severe congestion in the port.

Some 500 soldiers were deployed to speed movement of cargo—a step that had little practical effect since a shortage of manpower was never the problem.

More to the point, the Government said it would seize and auction all cargoes not removed from the docks within 30 days. Factories were using the docks for long-term storage. Breaking cargoes as they used their contents. The move prompted a search through the city for temporary warehouse space in school or factory buildings.

"The facilities in Shanghai Harbour were built to handle 70m to 80m tons of cargo each year," says Zhou Guanyue, vice-director of Shanghai's Zhanghuabang Container Handling Corporation.

Last year Shanghai's volume of cargo surpassed 100m tons for the first time and this year it should reach 115m tons. The increases, a product of China's open-door policy, have exposed not just a weak link, but an inadequate chain of infrastructure that stretches from the berths and cargo handling to a shortage of trucks, railroads, roads, and warehousing.

The Container Handling Corporation has rapidly improved its ability to take containers off ships and pile them up—the result of Yuan 140m of investment since 1981.

The docks are short of straddle carriers that can move the containers efficiently, and handling procedures are unsystematic and primitive. Many cargo recipients lack facilities to handle containers. They come dockside to break and retrieve their cargoes, leaving the empty container behind.

"The port is piled high everywhere with empty containers," says a European businessman who used to ship in steel and machinery. His company stopped using Shanghai because unloading delays of 15 to 60 days raised shipping costs.

Shanghai is China's largest port, handling 36 per cent of the nation's cargo, making it one of the 10 busiest ports in the world.

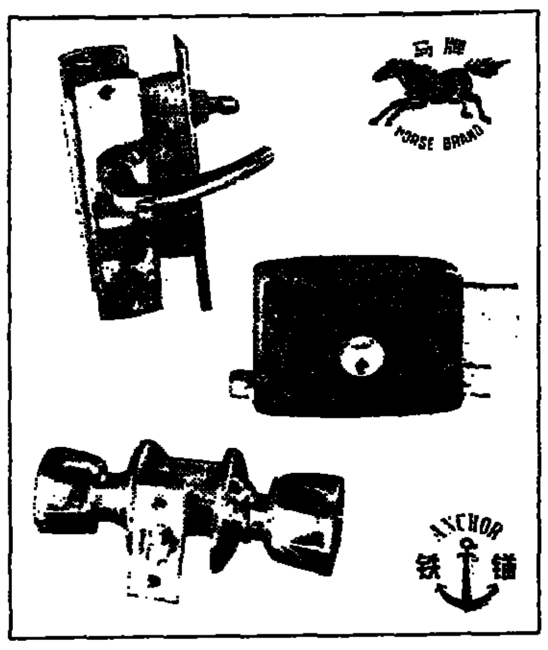
The harbour has 96 berths, with 45 that can accept ships up to 10,000 tons. In early October, the largest ship to call at the port, a 42,800-ton ore carrier, slipped across the sand bar at the mouth of the Yengtze River during the harvest moon high tides.

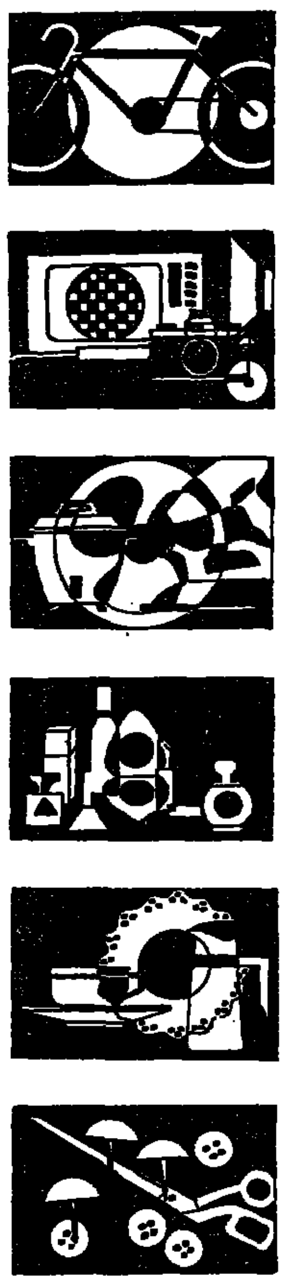
The lack of efficient deepwater facilities is just one long-term constraint on the port's development. The port authorities plan to build 18 more berths over three to five years but for the long term, a plan currently in favour calls for building a new harbour with 100 berths along the Yangtze River west of the Baoshan steel complex.

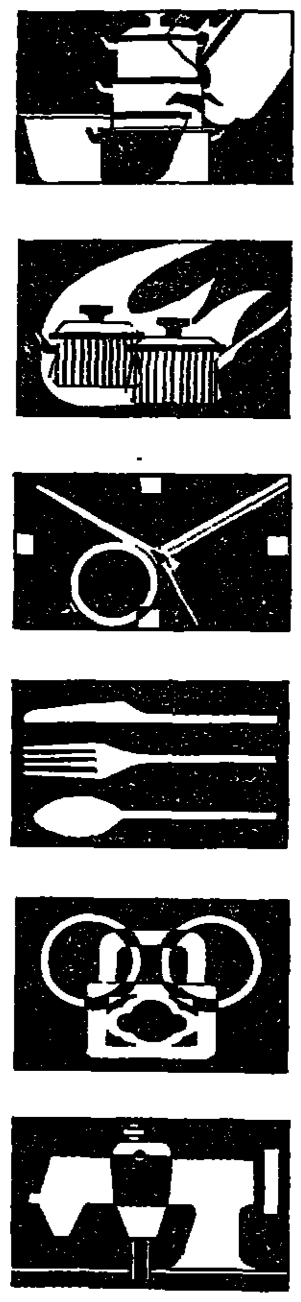
But building a new harbour would require wharfs 1 km into the water, and continuous dredging.

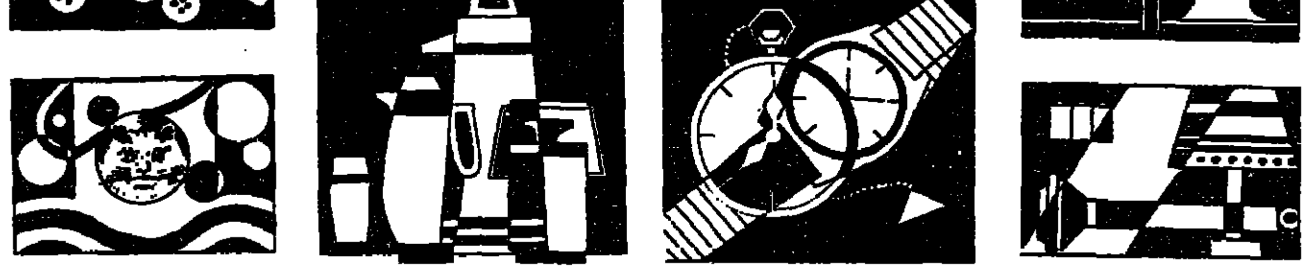
A dramatic improvement in harbour facilities would be useless without an even more massive improvement of urban infrastructure.

"No matter what we do we cannot solve the problem," says Chen Dianbang of the City Planning Commission.









Farmers gain from better outside links

Rural Hinterland

STEVEN BUTLER

ON THE third floor of a workshop in Malu town, 28 kms west of Shanghai, a dozen women sit in front of drill presses and bending machinery, shaping and cutting metal tubes that they pass to an assembly line on a long table. There the tubes are joined, wheels put on, and fabric attached.

The women—officially registered as farmers in China's population books—are assembling baby pushchairs. For many, assembly is complete only after the women stitch on a safety label for the U.S. state of California.

Malu's growing commercial links with the world are a ready benefit being close to Shanghai. The pushchair assembly operation is a joint investment with a city factory, which supplies semi-finished parts and markets the products. Soon a high-speed road will link the town to the city.

The workshop is what Chinese leader Deng Xiaoping had in mind when his reform policies encouraged farming villages to diversify from agriculture and break down administrative barriers to trade. Malu has turned into an industrial town that farms as a sideline.

In 1958 Malu's gross value of production was Yuan 2.48m, less than half a per cent from non-agricultural sources. Last year production reached Yuan 109.41m and a mere 8 per cent came from harvesting. The town exported Yuan 34m-worth of goods, including toys, garments, flavouring extracts, dried mushrooms and garlic.

Closer to the city, towns—the antecedents of Mao's now-defunct rural people's communes—specialise in lucrative commercial vegetable production for Shanghai's 191 state-run and 101 private markets.

At Zhuang Qiao, to the north of the city, each evening farmers wheel in carts piled wiht green vegetables at the rate of 125 tons per day. The procurement station distributes the produce overnight to up to 60 state-run markets, losing money on each head of cabbage or bundle of spinach.

The purchase station buys vegetables for about 0.15 fen (Yuan 1=100 fen) per kilogram, spends 0.05 fen to distribute it, and sells it to the consumer at 0.13 fen. Citywide, the Shanghai-Vegetable Corporation lost close to Yuan 60m last year in its efforts to keep a steady flow of food into the city while holding prices under control.

The city does make pricing mistakes. Last year the supply of pork petered out because farmers could not make enough profit. The city responded in the spring by lifting the purchase price of pigs and decontrolling pork prices. Now there is a severe shortage of pigs, and the market price of pork has jumped by about 60 per cent.

That price rise has helped lift turnover totals in the free markets to a point that they often rival neighbouring state-run markets, where produce is plentiful and cheap but often much lower quality.

The state still controls about 80 per cent of fresh produce sales, according to the Shanghai Vegetable Company, giving it a commanding control over prices and protecting consumers from the sometimes rapid swings of price on the much thinner free market. Nonetheless, many city residents—especially those on fixed income—complain that they have not been able to keep up with prices.

Farmers have benfited in recent years. A fresh crop of two-storey houses dots the countryside outside of Shanghai, and 25 sq metres of housing per capita in Malu is roughly five times the average for Shanghai city.

Chickens on sale at a street market

Some of the world's richest collection of early 20th century architecture

Propaganda still retards quality

Film Industry

ROBERT THOMSON

IN THE studios of the Shanghai Film Corporation the tragic irony of the Cultural Revolution still furrows brows. Two decades ago, the corporation was thrown into disorder when a one-time actress, Jiang Qing, the wife of Mao Tsetung, used it as a starting point for the radical drive of the revolution.

The corporation's director, Chen Zhigu, who had placards draped around his neck and was rusticated after the chaos began in 1966, said the studio suffered irreparable damage. The foreign perception of Chinese films is still blurred by the rhetoric-laced product of that period, he says.

"The cultural revolution started in the field of film. Jiang Qing listed a number of films she regarded as capitalist. She listed all the films that our studio produced after liberation." Chen says.

"We were considered demons. They said there was not a good person in the film studio."

The corporation was born in 1949 after the Shanghai film industry's resources and talent were commandeered. Shanghai made its first feature film in 1913. Now Chen wants to improve technology and enterprise by attracting foreign studios in joint ventures.

The studios make about 20 features annually as well as TV dramas and animated films. Chen considers a joint film venture could make a commercially viable product without making a "commercial" film.

"We have the topics here. We could make a film that uses the mystery of Tibet as a background. It could make money and entertain as well as have social benefits," he says.

The quality of the Chinese film industry is still retarded by the apparent need to score propaganda points. Chen says propaganda value is not considered in the making of a film, but the films show a different conclusion.

College Girls' Dormitory, which won second prize in the Ministry for Culture's 1983 award for outstanding films, tells the soap opera-ish story of Kuang, an impoverished young girl trying to pay her way through university in working as brick labourer.

Other recent films include Girls Marry When They Are Old Enough, The Happy Bachelors, This Isn't a Misunderstanding, and Dong Biwu—a Veteran Revolutionary. In spite of the ideologically sounding titles, Chen maintains that if a film has no artistic value it has no social value.

"Now China has a propaganda campaign about birth control. We should not make a film just to co-operate with this campaign. The social value is not only to educate, it is to amuse. No matter how much you emphasise the social value, only by means of artistic value can social value be gained," he says.

The quality of the corporation's films has improved in recent years. Of particular merit have been Two Sisters on a Stage, which collected a clutch of overseas awards in 1980, and the more recent The Rest at the Foot of the Mountain, described by Chen as a better examination of the sorts of themes treated in The Deerhunter, one of his favourite foreign films.

Pressure rises on unique building legacy

Heritage Protection

STEVEN BUTLER

A WALK along the Shanghai Bund easily inspires nostalgia for an era that is long gone. Great towers of carved granite stand watch over the Hwangpu River, harking back to the 1920s and 1930s, when each builder, flush with cash from Shanghai's booming economy, tried to construct the tallest and most lavish structure in Asia.

Across the old Avenue Edward, now Yenan Road, the architecture immediately acquires a French accent in the former French concession. Sprawling stucco mansions with rich hardwood interior panels stretch for miles west of the river, giving further evidence of Shanghai's earlier incarnation as one of the world's great cosmopolitan city.

South of the foreign concessions, the old 16th century Chinese city remains, complete with scholars' garden and tea house. The decrepit state of most buildings deepens the sense of nostalgia. Thick layers of grime blacken the stone. Crude iron grates and guard boxes roughly intrude on what once were stately marble vestibles. Canvas window awnings are thick with dirt, and sometimes a bare metal frame is all that remains.

The bar in the old Shanghai Club, once said to be the longest in the world, has been chopped off.

Not all has fallen into disrepair. The drab exterior of the city hall, once headquarters of the Hongkong and Shanghai Banking Corporation, hides an interior in pristine condition, with polished marble floors, tile inlays, and delicately painted vaulted ceilings.

The Bank of China recently spent Yuan 1m to restore the interior of its Shanghai headquarters.

Shanghai's legacy of granite, marble, and brass is often more notable for opulence than fine taste, yet it is an architecture that hundreds of cities in the West have tried and often failed to save. In Shanghai, the neglect of the city has ironically preserved what is probably the richest, most diverse collection of early 20th century architecture found anywhere.

Now that the city is due for redevelopment, it is awakening perhaps too slowly to the fact that it has a unique physical legacy to preserve. The coming years will set a crucial precedent as pressure grows more intense to make the most economic use of limited land resources.

"Shanghai is an international architectural museum," says Chai Xixian, of the city planning and building administration. "No other city in the world has this, and we want to preserve it."

Plans call for protection and restoration of all the buildings along the waterfront down to the new passenger terminal. Behind the Bund and to the south, buildings may be selectively cleared to make way for new office towers.

The old Chinese city will be preserved for 300 metres around the 16th century Yu Gardens with regulations that limit structures to three stories and set style specifications. The city plans to rebuild Nanjing Road —China's most famous shopping avenue — preserving unusual buildings such as Duo Yun Xuan, the city's most famous painting store, built in 1900. In recent years hundreds of shops have rebuilt their interiors and installed aluminum and glass frontings.

Soundings coming out of city hall are heartening, but no one knows whether architectural codes in the drafting stage will have teeth. The back of the luxurious Jinjiang Club, formerly the Cercle Sportif Francais, has been ripped apart and will be joined to a new hotel tower.

A Western resident of the city says that while everyone agrees on the principle of preserving the city's heritage, "There is a willingness to make exceptions that can diffuse the whole programme."

If the city fails to act, he warns: "Future generations of Shanghainese will curse the Government for failing to preserve a city uniquely representative of the early 20th century."

FINANCIAL TIMES
Tuesday October 29 1985

GM pulls out of Enasa bid talks

By David White in Madrid

GENERAL MOTORS of the U.S. has postponed indefinitely its plans to take a controlling stake in Enasa, the Spanish group which manufactures Pegaso lorries.

A meeting between representatives of the two companies last week ended inconclusively and the presently state-owned Spanish group said they were not ready to start a second phase of negotiations.

The U.S. group had decided to withdraw from takeover talks until it had worked out its overall European plans in the sector and looked into the alternatives, it said.

However, GM and Enasa have drawn up the main lines of an industrial plan for the loss-making Spanish group, which they have been working on jointly since they agreed at the beginning of this year to study the possible benefits of a link-up.

Enasa, from which International Harvester of the U.S. pulled out in 1982, said it would meanwhile continue studies on its own. No further meeting with General Motors has been fixed.

The plan drawn up by the two companies under their "memorandum of understanding" in January would involve the loss of 1,600 jobs – almost a fifth of the workforce – and the negotiation of aid from the Spanish Government.

Unions at Enasa say they will oppose any cuts and demand a say in the takeover negotiations.

If the GM takeover falls through, Enasa is expected to seek an alternative deal with Toyota of Japan, which has proposed a looser kind of association.

Chrysler earnings soar above Ford's in third quarter

BY TERRY DODSWORTH IN NEW YORK

CHRYSLER, the U.S. car company that was virtually written off six years ago, outperformed General Motors and Ford in the third quarter, increasing both its operating and net profits while its competitors' results were undercut by aggressive sales campaigns.

The strength of Chrysler's activity in the quarter was highlighted by the fact that its net profits of $316.2m amounted to $3m more than the earnings reported by Ford last week. Over the first nine months of the year, Chrysler's net income of $1.42bn was not far behind Ford's $1.80bn, although its sales of $15.87bn were less than half of Ford's $38.7bn.

Analysts attributed Chrysler's buoyant performance largely to its lower costs. Like the two larger U.S. motor groups, the company launched a low-interest promotional scheme in the quarter, offering rates as low as 7.5 per cent at one point. But while that tactic undermined the profitability of both General Motors and Ford, the extra volume generated by Chrysler showed through in earnings.

Some of the advantage may be lost to the company through its new labour contract, which was accepted by the workforce at the weekend. The deal is expected to cost Chrysler around $1bn a year, but Mr Lee Iacocca, chairman, said yesterday that the company could "handle" the settlement if it was able to negotiate appropriate changes in work rules. Talks on such alterations are proceeding after the workforce returned from a one-week strike yesterday.

Chrysler has also managed to reduce its costs compared to its competitors by increasing the amount of components it buys in from outside the company.

This year's net earnings for the quarter, the equivalent of $2.75 a share, compared with $261.6m, or $1.88 a share in 1984, and were achieved after a tax charge of $135.6m against a tax credit last year of $113.4m. Operating earnings amounted to $451.8m compared with $261.9m, while sales came to $4.5m against $4.1m.

In the first nine months, earnings of $1.42bn, or $12 a share, were down from $1.77bn, or $13.97 a share in the same period of 1984, while this year's sales compared to $14.2bn last year.

Chrysler's figures brought total earnings for U.S. motor manufacturers in the third quarter up to $1.14bn from $1.06bn in 1984.

Flood of floaters launched

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A RUSH of new floating-rate note issues totalling $550m reached the Eurobond market yesterday as fixed-rate bonds slipped in the wake of a weaker trend on Wall Street.

Dealers said issuers were seeking to benefit from the window created by recently announced decisions by several borrowers to call higher-yielding older issues. But, added to the spate of floating-rate notes left over from last week, yesterday's offering left the market feeling sated and some of the paper encountered resistance.

Among the deals were two for U.S. savings and loan institutions, both collateralised by holdings of government mortgage securities and both incorporating the maximum coupon feature, which allows a higher current yield than normal.

Homestead Savings and Loan of California is raising $150m through a 10-year issue led by Credit Suisse First Boston and bearing interest at a margin of ⅛ per cent over three-month London interbank offered rates (Libor). There is a maximum coupon of 13 per cent and a minimum of 8 per cent.

Crossland Savings and Loan of New York launched a $100m, 12-year issue through Salomon Brothers. It bears the same margin as the Homestead deal, but there is a maximum coupon of 13¼ per cent which comes into effect after three years.

The other floating issues were both for regional U.S. banks. First Bank System launched a $200m, 25-year issue bearing interest at ⅛ per cent over three-month Libor through Morgan Guaranty and CSFB, while Morgan Stanley brought Riggs National Bank to the market for $100m over 11 years with a margin of ³⁄₁₆ per cent over three-month Libor. Co-leads are Banque Paribas and Chemical International.

The fixed-rate dollar market saw price falls of around ¼ points on average amid continuing concern over developments in the Japanese bond market and news of impending U.S. Treasury financing needs. A lone issue was a $100m, seven-year bond for Kansai Electric Power, which ironically is aimed at Japanese investors and bears a 10⅝ per cent coupon and an issue price of 101¼. Nomura is leading the bond, but it was not clear how it was being received last night.

In demand, however, was a two-part convertible issue for BTR, the British industrial conglomerate, which is led by Swiss Bank Corporation International and traded over its par issue price yesterday afternoon. One tranche is for $150m with an indicated coupon of 5 per cent and the other for Ecu 170m with an indicated coupon of 4¼ per cent.

The conversion premium will be 4 to 5 per cent, but an unusual feature is that investors will have the option to redeem their bonds for a dollar yield of 9¼ to 9½ per cent after five years. A similar option with a yield of 8½ per cent exists for the Ecu tranche.

Continental markets also weakened, especially those for Ecu bonds and D-Mark issues, which shed about ¾ points on worries about an oversupply of paper. One bright spot was the fledgling Euro-lira sector, where a L50bn, five-year issue for United Technologies was well received. It bears interest at 13½ per cent and an issue price of par and is led by Banca Commerciale Italiana alongside Morgan Guaranty.

Euroyen issues were marked down by more than 1 point yesterday morning, following the trend in Tokyo, but recovered most of those losses in the afternoon. Terms on the new Y10bn private placement in the domestic market for Pemex of Mexico have been set with a 7.5 per cent coupon over seven years and an issue price of par.

International bond service, Page 20

Japanese government bonds fall further

BY CARLA RAPOPORT IN TOKYO

PRICES of Japanese government bonds continued to fall yesterday in thin trading as financial markets remained nervous about the future trends of Japanese interest rates and the value of the yen.

Spots and futures prices of government bonds were depressed. On the spot market, the 68th long-term government bond, a market indicator of large-lot transactions, was about Y2 weaker at Y100.96. Its yield jumped to 6.63 per cent from 6.3 per cent at the close of trading on Saturday.

On the recently opened futures market, where the daily price limit has been raised to Y3, the December contract, which is the most heavily traded, fell from Y99.63 on Saturday to Y96.63. Futures volume totalled Y51bn, leaving Y855bn worth of selling orders unfulfilled.

Short-term interest rates continued to firm, with the two-month discount rate up to 7.8 per cent compared with 7.5 per cent last week. Interbank call and bill discount rates climbed to 7.75 per cent, irrespective of maturity.

Despite the bearish note in the bond and money markets, the Tokyo Stock Exchange yesterday raced ahead, with the Nikkei market average gaining Y104.41 to close at Y12,937. Traders said that a big blue chip rally led the way,

Page 42

Venezuelan group to sign $80m rescheduling

BY RICHARD JOHNS IN CARACAS

PLASTILARGO, a Venezuelan petrochemical concern, and a consortium of banks headed by Chase Manhattan, are due to sign an $80m refinancing agreement in Paris on November 5.

The deal will be only the second rescheduling arranged by the Venezuelan private sector since the start of the country's debt crisis early in 1983.

Plastilargo, a manufacturer of high-density polyethylene, is classed as a private-sector company although the state-owned Pequiven, an affiliate of Petroleum de Venezuela, has a 49 per cent stake in it. CDF Chimie of France owns 25 per cent and Mitsui of Japan another 5 per cent, with the balance of shares held by Venezuelan private investors.

Repayments are to be concentrated between March 1986 and March 1991. The company will have access to the preferential rate of 4.3 bolivars to the dollar for the principal and 7.5 for the interest, according to Dr Rafael Macia, president of Plastilargo. The company, which came on stream at the beginning of last year and is exporting a quarter of its output, did not take up the full $100m available under the original facility, made up partly of export credits in the form of Belgian francs.

Recently C.A. Venezolana de Cementos became the first of the country's private companies to reschedule when it signed a $72m package with 12 international banks.

Takeover battle for Bank of Helsinki

By Olli Virtanen in Helsinki

BANK of Helsinki (BoH), Finland's smallest commercial bank, is the object of a fierce takeover battle between two of its larger competitors.

Skopbank, the Finnish savings bank group, started the country's toughest takeover fight last Thursday when it announced that it held 11 per cent of the shares in BoH and was offering FM 66 ($11.70) for the remainder – a FM 13 premium over the price at the time on the stock exchange.

Last night Union Bank of Finland disclosed that it had bought 18 per cent, including apparently a block of some 4 per cent reported to have been sold by Beijerinvest, controlled by Mr Anders Wall, the Swedish financier, at around FM 18 a share.

BoH, with assets of FM 9.3bn, regards both bids as unwelcome and has hired its own financial adviser to fight off all attempts to gain control. Last night, however, it welcomed the Union Bank statement as an indication that equity control of BoH was likely to remain divided.

Skopbank, which has assets of FM 15bn, has offered negotiations on possible co-operation to BoH, which regards the equity purchase as unnecessary for cementing ties between the two banks.

BoH has been a target for takeover rumours for some time. Skopbank said last week it did not regard its own bid as a step towards a merger. Rather, it was seen as a defensive move

Independent analysts estimate that Skopbank's bid is unlikely to attract more than 10 per cent of the shares. BoH has 38,000 shareholders, with the second biggest, Konstsamfundet Fund, controlling 9.2 per cent. The third biggest is the insurance company Sampo with 15.1 per cent. The three largest shareholders have already started negotiations.

Bayer expects best year since the war

BY JOHN DAVIES IN FRANKFURT

BAYER, the West German chemical and pharmaceutical group, is benefiting from a further strong surge in sales this year.

Herr Hermann Josef Strenger, the chief executive, said Bayer was heading for its best year since the second world war. He did not give details on likely earnings.

Herr Strenger said Bayer's world sales revenue reached DM 35.5bn ($13.5bn) in the first nine months of this year, up 9.6 per cent on the same period last year. Sales revenue for the whole year is expected to rise 8 per cent to about DM 46.5bn.

He said Bayer had expected a year of stability at a high level, but in fact business had exceeded those expectations. Sales abroad from exports and foreign production had been particularly strong, making up to 80 per cent of Bayer's sales revenue.

Last year the group boosted world sales by 15.3 per cent to DM 43bn, with net profits after tax increasing 55.7 per cent to DM 1.17bn.

Along with BASF and Hoechst, the other two big West German chemical companies, Bayer paid dividend of DM 9 a share on last year's earnings. With all three chemical concerns performing strongly this year, there has long been speculation about a further dividend increase.

In the first half of this year, BASF lifted sales 11.9 per cent to DM 24bn, with its group pre-tax profits up 37.3 per cent at DM 1.7bn. Hoechst's world sales rose 7.3 per cent to DM 22.2bn in the first half, with pre-tax profits up 11.5 per cent at DM 1.65bn.

Norcem looks for NKr 275m in full year

By Fay Gjester in Oslo

NORCEM, the Norwegian cement and building materials producer, which is also involved in a number of offshore drilling-related activities, reports a strong increase in sales and profits during the opening eight months of 1985.

The improvement, affecting all the group's divisions, is expected to continue and to lift pre-tax profits for 1985 to NKr 275m ($34.6m) from NKr 199m last year. Eight-months profits rose to NKr 142m, from NKr 112m a year earlier, on turnover of NKr 2,59bn (NKr 2,18bn).

Particularly good results were achieved by the cement division, which increased deliveries to the domestic market by 14,000 tonnes to 987,000 tonnes in the eight months.

Deliveries of cement and clinker to markets in New York and West Africa were also up – by 77,000 tonnes to 772,000 tonnes. But in Nigeria, import restrictions depressed sales volumes of Eastern Bulkcem Company, in which Norcem is a minority shareholder.

Sales of oil-well cement increased, both to the North Sea and in the United Arab Emirates.

In the offshore division, improved results were reported by service companies Morco (well drilling and maintenance), Anchor drilling fluids, Norsea Base and Norsea Industries.

Deteriorating markets hit Elkem earnings

By Our Oslo Correspondent

ELKEM, the Norwegian metals, mining and manufacturing group, blamed deteriorating world markets for aluminium, silicon and ferro-alloys, for a sharp fall in nine-month profits from NKr 372m to NKr 274m ($34m), despite a NKr 995m increase in sales to NKr 6.49bn. Third-quarter profits were NKr 16m, the lowest quarterly return since 1982.

In North America, where Elkem owns and operates a number of ferro-alloy plants, the market was "particularly weak," and the group's activities operated at a loss in the third quarter. Further rationalisation measures are being implemented to improve results. The group's problems in the U.S. have been aggravated by the high value of the dollar, which has encouraged imports and it says that in the long term a continued decline in the dollar's value will strengthen the competitiveness of its U.S. and Canadian metals companies, which are the largest ferro-alloy producers in North America.

Profitability of the finished products and minerals divisions during the period was described as encouraging.

Elkem shares were quoted on the Frankfurt Stock Exchange for the first time on September 30. The company has been listed in London since the end of May.

Amax loses over $500m in nine months

By Kenneth Marston, Mining Editor, in London

AMAX, the U.S. diversified natural resources group struggling with low metal prices, has suffered a further net loss of $88.2m, equal to $1.37 a share, in the third quarter.

This follows a record loss of $394.9m in the previous three months, which included a $350m provision against losses on properties and investments.

The company's total net loss for the first nine months has risen to $518.4m, or $7.78 a share. This compares with net earnings of $21.1m in the same period of 1984 which were after pre-tax gains of $26m from sales of coal and domestic oil and gas interests plus a tax credit of $9m.

During the latest quarter the two big molybdenum mines in Colorado were closed for nine weeks to reduce stocks. A $32.2m loss on operations during the period lowered the nine-month profit on operations to only $4m from $177.6m in the same period of last year.

This year lower prices have prevailed for aluminium, silver, lead, zinc and oil while coal and iron ore earnings have fallen and there has been a loss on copper processing operations.

Amax has been following a draconian programme to cut costs. The quarterly dividend has been omitted, and there have been sizeable sales of assets and severe reductions in labour.

No change at top of AMC

By David Marsh in Paris

THE senior management at American Motors Corporation, the U.S. car maker owned 46 per cent by Renault of France, has remained in place for the time being after a board meeting of AMC in Paris on Friday.

M Jose Dedeurwarder, the present AMC chief executive, who has been tipped to take over as chairman and also as Renault's Paris-based sales and marketing director, will thus stay in his present job for the moment.

Strong gains for Erbamont

By Alan Friedman in Milan

ERBAMONT, the Netherlands Antilles-registered pharmaceuticals subsidiary of Italy's Montedison group, yesterday announced a 90 per cent rise in net profits for the first nine months of this year to L63.5bn ($35.6m).

The rise was recorded on consolidated sales up 18 per cent at L947.9bn.

Inco stays in black for third quarter

By Our Financial Staff

INCO, the big Canadian nickel producer, has continued in the black in the third quarter of 1985, although profits have fallen from second-quarter levels.

Net earnings for the latest three months were U.S.$11.6m or 5 cents a share, compared with a loss of $36.1m in the third quarter of 1984 and a profit of $20.9m or 15 cents a share in the second period of 1985.

For the first nine months profits turned out at $44.6m or 25 cents a share, compared with a loss of $81.8m. Revenues edged up from $1.08bn to $1.11bn, but slipped in the latest quarter from $323m to $314m.

The company recently announced plans to buy half of its C$250m (U.S.$183m) floating-rate preferred shares, Series A, in a move to strengthen its finances.

INTERNATIONAL COMPANIES & FINANCE

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

The Daiwa Warrant Index 1776.65 (1,000=02-Jan-1985) — Dollar warrant market value: $1,073,630,000

ISSUER—Warrant expiry date	Current Market Prices: Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Offer Calculations: Premium (%)	Gearing Leverage	Premium/Gearing Ratio
AICA KOGYO 17/8/90	21.00	22.50	750	18.78	5.04	3.73
CASIO COMPUTERS 6/3/89	65.00	66.50	1,690	6.58	2.49	2.65
C. ITOH (NEW) 4/6/89	35.50	37.00	416	10.14	3.52	2.88
C. ITOH (OLD) 30/1/87	56.00	60.00	416	28.21	2.16	13.04
DOWA MINING 20/7/90	11.00	12.50	600	41.87	7.04	5.95
FUJIKURA CABLE 28/4/89	21.50	23.00	361	34.24	4.17	8.21
HAZAMA GUMI 1/11/89	11.00	12.50	385	42.65	7.20	5.92
J.S.R. 28/4/89	10.50	12.00	353	40.02	7.02	5.70
JUSCO 22/12/88	83.00	88.00	816	11.17	2.05	5.44
KAYABA INDS 15/2/89	20.50	22.00	299	11.23	5.41	2.08
KOKUSAI KOGYO 18/9/90	19.00	20.50	1,850	22.63	5.37	4.22
KOMORI PRINTING 20/12/89	31.50	33.00	2,250	16.84	3.86	4.36
MARUBENI 30/9/92	16.00	17.50	344	28.47	5.84	4.88
MARUZEN 12/2/90	15.50	17.00	491	23.38	6.64	3.52
MINEBA 20/2/89	62.00	66.00	800	52.13	1.75	29.71
MIT CHEMICAL 20/1/87	94.00	99.00	507	21.94	1.69	12.96
MIT CORPORATION 7/11/88	34.00	35.50	563	11.43	3.69	3.10
MIT ESTATES 16/10/92	24.50	26.00	1,050	31.82	3.75	8.49
MIT GAS & CHEM 20/3/89	34.50	36.00	405	8.00	3.64	2.20
MITSUI E/S (NEW) 15/10/88	11.50	13.00	159	18.19	7.59	2.28
MITSUI E/S (OLD) 10/12/87	30.00	32.00	159	15.93	4.04	3.94
MIT METAL (OLD) 10/2/89	83.00	87.00	610	37.09	1.65	22.47
MIT METAL (NEW) 10/11/89	15.50	17.00	610	31.97	5.81	5.50
MITSUI PETRO 15/2/90	44.50	46.00	471	10.94	3.30	3.31
NIPPON MIN (OLD) 17/3/89	94.00	97.00	363	52.18	1.37	38.01
NIPPON MIN (NEW) 15/6/90	14.50	16.00	363	49.29	5.59	8.81
NIPPON YUSEN KK 18/10/90	16.50	18.00	341	25.59	5.31	4.82
NISSHO IWAI 1/2/88	14.00	15.50	286	20.08	6.75	2.98
NOMURA SECS 31/10/88	75.00	76.50	1,110	7.16	2.26	3.16
OHBAYASHI GUMI 5/4/89	68.00	70.00	394	3.02	2.43	1.24
OMRON TATEISHI 31/3/89	10.50	12.00	1,460	74.90	5.58	13.42
ONODA CEMENT 28/2/90	17.50	19.00	335	21.73	6.11	3.56
OPTEC DAI-ICHI 23/2/90	25.50	27.00	630	27.72	4.33	6.41
OSAKA TRANSF 29/1/90	22.00	23.50	620	18.08	5.15	3.51
RENOWN 24/1/89	20.50	22.00	749	24.99	4.80	5.21
RICOH 20/9/90	35.50	37.00	1,080	9.27	3.75	2.47
RYOBI LTD 25/5/90	16.00	17.50	395	21.02	6.37	3.30
SEINO TRANS 17/3/89	17.00	18.50	1,100	22.03	5.44	4.05
SEIYU STORES 20/3/87	62.00	66.00	749	34.82	1.97	17.71
SEKISUI CHEM 20/9/90	46.00	47.50	625	16.57	2.93	5.66
SONY CORP 26/4/90	22.00	23.50	4,050	32.00	4.62	6.93
SUMI CONST 24/3/89	64.00	68.00	300	5.12	2.42	2.53
SUMI HEAVY 24/2/89	23.50	25.00	238	13.99	4.73	2.96
SUMI REALTY 21/11/89	97.00	98.50	928	4.04	2.08	1.94
TOKYO ELECTRIC 14/3/88	13.50	15.00	1,180	34.86	6.17	5.65
TOKYO SANYO 8/6/87	156.00	161.00	636	65.93	1.03	63.97
TOKYU CORP (OLD) 29/1/90	85.50	87.00	517	8.84	2.18	4.04
TOKYU CORP (NEW) 29/10/90	18.50	20.00	617	41.60	4.31	9.66
TOKYU DEPT STRS 20/7/90	36.00	37.50	568	17.15	3.52	4.87
TORAY INDS 6/3/87	36.50	38.00	526	15.34	3.37	4.56
TOYO ENG 26/2/89	53.00	57.00	660	55.03	1.89	29.14
YAMAMURA GLASS 8/5/90	12.00	13.50	420	35.79	7.11	5.03
YAMATO KOGYO 29/1/90	15.50	17.00	681	21.65	6.62	3.27
MINEBA (STERLING) 15/3/90	38.00	42.00	600	22.71	2.68	8.48

Reuters Monitor DABF/G/H/I/J — Further information from: Freddy Glock, Beverly Kelly or Edward Cartwright on 01-248 8080 Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

BANK FOR INTERNATIONAL SETTLEMENTS

Pace of cross-border lending slows further

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A FURTHER slowdown of total lending, coupled with a shift of business away the dollar, were the hallmarks of international bank business in the second quarter, according to the latest figures from the *Bank for International Settlements* (BIS) in Basle.

Total international loans outstanding during the quarter rose by only $6.4bn after an increase of $53.3 in the first quarter, mostly reflecting a decline in interbank business as Japanese institutions wound down their positions after the close of their fiscal year.

Despite a drop in the growth rate for European currency unit loans, non-dollar business increased its overall share of international bank lending because of a surge in Euroyen activity after liberalisation of that market on April 1, and a revival of business in the Euro-D-Mark sector.

Euroyen lending rose by the equivalent of $4.5bn during the quarter, bringing lending in the currency almost 80 per cent above its level at the end of March. Business in German currency rose by $1.8bn, the BIS said.

By contrast, cross-border Ecu claims recorded their smallest increase – of $2.2bn equivalent – since records on this sector started, mainly because of the repayment of Ecu borrowings by certain large debtors, including $800m in from Italian non-bank institutions.

Excluding double counting, the BIS reckons that net new credit extended by the international banking industry in the second quarter amounted to about $15bn, roughly the same amount as in the first quarter. But with large repayments by borrowers in European countries, the bulk of the increase was accounted for by continued heavy borrowing by U.S. non-banks (up $4.8bn) and by a revival of borrowing by countries outside the main industrial group which constitutes the BIS reporting area.

This expansion was accounted for largely by an increase in borrowing by East European countries and by non-oil exporting developing countries, although Latin America received no net increase in bank loans, while claims on Mexico actually declined by $500m.

For the first time, the BIS included in its report a supplementary analysis of developments in international capital markets generally. This is the first of a series to be published twice a year from now on to take account of changes in the markets.

The BIS said the need for such a report was created by financial innovation and changes in market practice which have blurred the former distinctions between the international banking and capital markets.

Its figures show that gross funds raised through international bonds, syndicated credits and Euronote issuance facilities totalled nearly $116bn in the first half of this year, well above the totals of $71bn and $92bn for the first and second halves of 1984 respectively.

But the BIS says it is difficult to draw any conclusions from the gross figures about the actual amount of net credit intermediated by the marketplace during the period under review.

The gross figures include, for example, bond issues launched to replace and refinance earlier issues that have matured, as well as replacement borrowings launched simply to save on costs at a time when market conditions are particularly favourable to borrowers.

It also warns that there is considerable overlap between its figures on bank lending and the volume of business transacted in the capital market because of securities issues held by banks.

Best estimates, after all these factors are taken into account, suggest that net new lending intermediated by all the markets during the first half of the year was about $70bn, no higher than it had been during the preceding six months and $10bn lower than in the same period of 1984.

That could appear to indicate a tightness in credit markets generally, but there is now a large volume of unused credit available in the note issuance market which gives borrowers who have arranged such facilities a degree of financial ease.

The BIS reckons that issuance facilities outstanding in mid-1985 totalled $48bn, of which less than a quarter had been drawn through the actual sale of notes.

There are signs that the sale of such paper is now increasing, it said. Whereas the bulk had previously been absorbed by banks, it may be estimated that between a third and a quarter of such notes are now being placed with non-bank investors.

Net lending in international markets ($bn)

	1981	1982	1983	1984 1st hlf	1984 2nd hlf	1985 1st hfl
Bank lending	165	95	85	55	40	30
Net bond issues	32	58.5	58	36	47	63
(Less double counting)	7	8.5	13	11	17	23)
Total	190	145	130	80	70	70

Source: BIS

N. AMERICAN QUARTERLY RESULTS

BURLINGTON INDUSTRIES
Textiles

Fourth quarter	1984-85 $	1983-84 $
Revenue	687.3m	745.1m
Net profits	†2.5m	†22.8m
Net per Share	†0.10	†0.78
Year		
Revenue	2.8bn	3.17bn
Net profits	12.6m	62.4m
Net per share	0.44	2.16

†Loss

COMPUTERVISION
CAD/CAM systems

Third quarter	1985 $	1984 $
Revenue	105.8m	137.1m
Net profits	†20.7m	11.2m
Net per share	–	0.39
Nine months		
Revenue	323.9m	392.5m
Net profits	†59m	32.8m
Net per share	–	1.14

†Loss

GREYHOUND
Bus system

Third quarter	1985 $	1984 $
Revenue	882m	732m
Net profits	46.9m	42.2m
Net per share	0.96	0.87
Nine months		
Revenue	2.4bn	2.1bn
Net profits	104.8m	88.5m
Net per share	2.15	1.81

NABISCO BRANDS
Foods

Third quarter	1985 $	1984 $
Revenue	239.9m	249.9m
Net profits	14m	13.2m
Net per share	0.70	0.88
Nine months		
Revenue	701.7m	685.3m
Net profits	29.8m	36.3m
Net per share	1.49	1.82

A. H. ROBINS*
Drugs, consumer products

Third quarter	1985 $	1984 $
Revenue	188.9m	157.3m
Net profits	27m	200,000
Net per share	1.13	0.01
Nine months		
Revenue	520.1m	485.7m
Net profits	62.3m	20.2m
Net per share	2.57	0.80

* Company operating under Chapter 11

WESTERN UNION
Telecommunications

Third quarter	1985 $	1984 $
Revenue	261.9m	299.6m
Op. net profits	†10.5m	†19.8m
Op. net per share	†0.68	†0.98
Nine months		
Revenue	824.7m	844.9m
Op. net profits	†35.5m	†20.3m
Op. net per share	†2.22	†1.22

†Loss

Florida utility agrees to buy Colonial Penn

By Paul Taylor in New York

FPL, the holding company for Florida Power and Light, one of the bigger U.S. electricity utilities, with 2.6m customers, has agreed to acquire Colonial Penn, a Philadelphia-based insurance group, for $35 a share or $565m.

The deal, which marks a further diversification for the FPL group, will end uncertainty over the future of Colonial Penn, which has been seeking a friendly purchaser for more than a year.

In June last year, St Regis, the U.S. forest products group, agreed to acquire Colonial Penn in a deal also valued at $35 a share. But three months later St Regis itself agreed to be acquired by Champion International, another wood and paper manufacturer, which ended up owning 22 per cent of Colonial Penn but showed no interest in expanding its stake in the insurance group.

Under the terms of the new deal, FPL will acquire the Champion International stake in a two-stage transaction as part of the overall merger agreement.

Colonial Penn, which reported net earnings of $51.2m on revenues of $1.26bn last year, offers a wide range of services including life, health and property/casualty insurance and has specialised in marketing its products to older Americans.

About a fifth of the insurance group's policyholders are in Florida – a traditional retirement area – and that may account for FPL's interest in the group. Aside from its electricity business, FPL, which reported net income of $302.7m on revenues of $3.94bn last year, already has property and energy subsidiaries.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for October 28.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10⅞ 92	100	96⅞	97⅜	–	–	10.96
Amex Credit 10⅞ 90	100	101½	102	–0¼	–0⅜	10.34
Atlant Richfld 10¼ 00	250	95¼	95¾	–0⅛	+0⅞	10.86
Australia Com 11¼ 00	100	102¾	103¼	–1	–0½	10.81
Australia Com 11 95	200	102½	103	–0½	–0¼	10.51
BP Capital 11⅛ 92	150	102⅝	103⅛	–0⅛	0	10.45
Campbell Soup 10½ 95	100	100¼	100¾	–	–	10.41
Canada 11½ 90	500	105	105½	–0⅛	–0⅜	9.93
Canadian Pac 10¼ 93	100	102	102½	–0⅜	–0⅜	10.29
Canadian Pac 12½ 89	75	107¾	108¼	–0¼	–0⅜	11.33
Chevron U.S.A. 12¼ 88	600	104½	105	–0⅛	–0⅛	10.70
Citicorp 10 88	200	†99¾	100¼	–0⅜	–0⅜	9.97
Citicorp 10⅜ 95	200	96¾	97¼	–	–	11.13
Citicorp 11½ 95	150	†*101⅞	102⅜	0	+0⅜	11.18
Coca Cola 11¾ 91	100	106⅛	106⅝	–0⅛	–0½	10.25
Denmark Kingdom 11¼ 89	100	102¾	103¼	–0⅜	–0⅜	10.15
Denmark Kingdom 11½ 90	100	103⅜	103⅞	–0¼	–0½	10.42
Denmark Kingdom 11½ 92	100	102⅞	103⅜	–0¼	–0¼	10.77
E.D.F. 10 95	225	95¼	95¾	–0¼	–0⅛	10.75
E.E.C. 9⅞ 90	350	97⅜	97⅞	–0¼	–0⅜	10.86
E.E.C. 11⅛ 90	100	102¾	103¼	–0⅜	–0½	10.19
E.I.B. 12 95	200	106⅜	106⅞	–0⅝	–0½	10.82
Eli Lilly 10¼ 92	150	100⅜	100⅞	–	–	10.12
Export Dev Corp 10 90	100	99½	100	–0¼	–0½	10.04
Export Dev Corp 12 89	100	106⅜	106⅞	–0⅛	+0⅞	9.92
Fed Dep Stores 10⅛ 95	100	96½	97	–0⅜	–0¾	10.66
Ford Motor Cred 11⅛ 90	100	102⅝	103⅛	0	–0⅜	10.47
Ford Motor Cred 11¼ 92	100	102⅝	103⅛	–0⅛	–0⅜	11.07
Ford Motor Cred 12 95	100	104½	105	–0¼	–0⅛	11.13
Gen Elec Credit 10¼ 90	200	100½	101	–0⅛	–0¼	10.13
GMAC 10¼ 89	200	100¼	100¾	–0¼	–0¼	10.04
IADB 10½ 95	150	98¼	98¾	–	–	10.74
IBM Credit 10⅜ 2000	300	†101	101½	–0⅞	–0¾	10.19
Kellogg Company 10⅞ 90	100	102¼	102¾	–0⅛	–0⅝	10.08
Kellogg Company 11¼ 92	100	103⅝	104⅛	–0¼	+0¼	10.35
L.T.C.B. 12⅞ 91	100	109⅛	109⅝	–0⅜	–0¾	10.68
Macy Cred Corp 11¾ 95	100	100⅛	100⅝	–0¾	–0⅛	11.66
Mitsui Trust 11⅛ 90	100	102⅜	102⅞	–0¼	–0¼	10.54
Pillsbury Co. 10¼ 93	100	98	98½	–	–	10.57
Pru Realty secs 12⅞ 95	546	105⅞	106⅜	–0⅛	–0½	11.81
Qantas Airways 10⅜ 95	140	97⅞	98⅜	–1	–0⅞	10.68
Quebec Hydro 11½ 92	100	104⅞	105⅜	–0½	–0⅜	10.43
Queensland Govt 10¼ 95	100	96⅝	97⅛	–0½	–0⅛	10.77
Ralston Purina 11⅜ 95	150	104⅛	104⅝	–0⅜	–0⅜	10.66
Ralston Purina 12¾ 89	100	107⅜	107⅞	–0⅛	–0⅛	10.39
Saskatchewan 10¼ 92	100	101½	102	–0⅜	–0⅜	10.33
Saskatchewan 11⅞ 89	100	105⅝	106⅛	–0⅜	0	10.09
Statoil 10 90	170	99⅛	99⅝	–0⅜	–0⅛	10.15
S Wales Trsy 11⅜ 90	150	104⅝	105⅛	–0⅜	–0¼	10.30
Swed Exp Cred 10 92	100	97¾	98¼	0	+0⅛	10.41
Swed Exp Cred 12¾ 89XW	100	106¾	107¼	0	–0½	10.44
Sweden Kingdom 10⅞ 90	200	101⅞	102⅜	–0½	–0½	10.22
Sweden Kingdom 11½ 89	200	104¼	104¾	–0⅛	–0½	10.09
Sweden Kingdom 11¾ 94	100	105⅛	105⅝	–0¼	–0⅜	10.78
Tenneco Corp 10⅜ 95	150	96⅜	96⅞	–0⅜	–0⅞	10.79
Texaco Capital 10 95	300	†93¼	93¾	–0⅜	–0⅜	11.11
Texaco Capital 11⅞ 95	250	100½	101	–0⅛	–0⅜	10.97
United Tech Fin 10⅜ 95	100	98⅞	99⅜	–0¼	–0¼	10.75
Victorian Rep 11⅜ 92	150	103⅜	103⅞	–0⅜	–0⅜	10.79
World Bank 10⅜ 95	300	97⅛	97⅝	–0½	–0½	10.55
World Bank 12½ 94	200	111¼	111¾	–0½	–0½	10.78

Average price change On day –0⅜ on week –0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	103⅛	103⅞	–0½	–2⅝	7.44
Austria Republic 7⅝ 95	200	102⅜	103⅛	–0½	–1¼	7.17
Baxter Travenol 7¼ 94	200	100⅜	101⅛	–0¼	–1¾	7.12
Copenhagen 7⅜ 95	150	99⅜	100⅛	–0¾	–2	7.39
Credit National 8⅜ 94	200	104½	105	–1¼	–2	7.32
E.I.B. 7½ 94	300	100⅛	100⅞	–0¼	–1½	7.17
Escom 8 92	150	93⅝	94⅜	–1½	–3⅞	9.25
Ex-Im Bk Korea 7⅝ 90	100	99⅞	100⅜	–0⅛	–0⅜	7.58
Ferrovie Dello Stato 8 91	100	103⅛	104⅛	–0⅜	–0⅜	7.15
Finland Republic 7 92	200	99⅛	99⅞	–0½	–1¾	7.09
Gould Int Fin 7⅜ 91	100	101⅝	102⅜	–0¼	–1½	7.16
Ireland 8⅛ 92	150	103⅞	104⅝	–0¾	–0¾	7.27
Japan Fin Corp 7⅜ 91	100	103⅜	104⅛	–0¼	–1⅝	6.79
Mitsubishi Hvy 3½ 89WW	200	199⅝	201⅝	–4⅜	–20½	–10.33
Mitsubishi Hvy 3½ 89XW	300	90⅝	91⅜	–0¼	–0¾	6.51
Mitsubishi Met 3⅛ 89WW	100	106½	107½	–0⅛	–0⅜	1.35
Mitsubishi Met 3⅛ 89XW	100	89	89¾	–0⅛	–0½	6.19
Quebec Hydro 7½ 95	200	102⅝	103⅜	–0⅛	–1⅜	7.12
Renfe 7¾ 95	100	101⅝	102⅜	–0¼	–0¾	7.44
Soc Cent Nucleay 7¼ 95	150	101⅝	102⅛	–0⅜	–0⅜	6.97
Societe Cent Nucleair 8 91	100	106	106¾	0	–0⅛	6.69
Sth African Tran 7⅜ 92	100	93⅛	93⅞	+0⅛	–1¼	8.89
World Bank 7 95	600	99	99½	–0¾	–2	7.10
World Bank 7¾ 89	100	103⅛	103⅞	+0⅛	0	6.52

Average price change On day –0⅜ on week –2¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅝ 94	130	†100	100¼	0	–1¼	5.56
Bk Lend Comp 5½ 99	75	†105⅞	105½	+1	+0⅝	5.82
Council of Europe 6 92	120	†102	102¾	0	+0⅛	5.58
Creditanstalt 5½ 94	100	†100	100¼	+0¼	0	5.49
Deutsche Bk Fin 5⅝ 95	100	†102½	102¾	+0½	–0¼	5.01
E.I.B. 5⅞ 94	120	†102	102¼	–0⅛	–0⅛	5.57
Gen Occidentale 4½ 94	80	†101¾	102¼	–0¾	–0¾	4.21
Glendale Fed S&L 5½ 95	100	†97½	97¾	–1½	–1½	5.82
Ind Fund Fin 5⅜ 94	40	†*101¼	101½	–0¼	–0⅜	5.55
Int-Am Dev Bk 5⅞ 94	130	†103¼	103½	+0⅜	+0½	5.64
N.Zealand steel 5⅞ 96	70	†100	100¼	–0¼	+0¾	5.73
Oberg Kitwk 5⅜ 95	100	†99½	99¾	+0½	0	5.42
Olivetti Intl 5½ 95	100	†100½	100¾	0	–0⅜	5.41
Pepsico 5¼ 95	130	†100	100¼	–0½	–1⅜	5.23
Ralston Purina 5⅜ 94	125	†*101	101¼	–0¼	–0½	5.21
Santos Finance Ltd 6 94	130	†99	99¼	–0½	–0⅜	6.19
Tokyo Elec Pwr 5½ 93	120	†101¼	101½	+0¼	+1¼	5.26
Tokyo Metropolis 5¼ 94	80	†100½	100¾	+0⅛	0	5.16
World Bk 5¼ 94	150	†*102½	102¾	+0½	0	5.88

Average price change On day 0 on week –0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 8⅜ 90	15	98⅜	98⅞	+1½	–2	7.16
Gdyr Tr & Rubber 7⅜ 95	25	97⅛	98⅛	+1⅛	–2⅜	7.49
Mort Bk Denmark 7 92	10	97⅜	98¼	+0½	–3⅛	7.38
New Brunswick 7⅛ 95	10	96⅝	98⅛	+0⅜	–3⅜	7.28
Swed Exp Cred Zero 90	14	70¼	70¾	+1¼	–2¼	7.27

Average price change On day +1 on week –2½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust Gas & Light 13 92 SA	50	99	100	0	+0⅞	[illegible]
GMAC 12⅞ 88 AS	35	97⅛	98⅛	–0⅛	+0½	[illegible]
Kellogg Co. 12¾ 88 AS	30	96⅜	97⅜	0	+0¼	[illegible]
Midland Int'l 13⅜ 90AS	50	99⅛	100⅛	–0⅛	+0⅛	[illegible]
Amex 10¼ 90 C$	50	†99¾	100¼	–0¾	–0½	10.72
CIBC 10¼ 90 C$	75	†*101¼	101¾	–0¼	+2½	10.36
Genstar Fin 11¾ 95 C$	75	†98⅞	99⅜	–0⅜	–0⅛	[illegible]
Hamil-Went'th 10¾ 95C$	25	†*94¼	95¼	0	+0¾	[illegible]
Montreal 11½ 95 C$	75	†101¾	102¼	–0¼	–0⅜	[illegible]
Sears Acc. Co 10⅜ 92C$	75	†*96	96½	–0⅛	+0½	11.49
Winnipeg City 10⅜ 90C$	50	†100½	101	–0½	–1	[illegible]
Chrysler Fin Corp 17 90NS	65	92⅛	93⅝	+0⅛	+0⅝	[illegible]
K.O.P. 16¾ 91 NS	50	99⅛	99⅞	+0¼	+0⅜	[illegible]
Privatbanken 16⅜ 88 NS	50	96½	97	+0⅛	–0¼	18.09
B.N.P. 8⅞ 95 ECU	75	98⅝	99⅜	0	+0⅛	[illegible]
IBM Wld Trade 8¼ 90ECU	150	99⅝	100⅜	+0⅛	+0⅞	[illegible]
Sec Pac Aust 8¾ 90 ECU	100	98⅝	99⅛	+0⅛	+0⅝	9.07
Honda Motor WW 3⅜ 90FL	100	103½	104¼	–0¼	+1⅞	2.92
Honda Motor XW 3⅜ 90FL	100	88	88½	–0¼	–0⅛	7.07
Thyssen 7¼ 90 FL	50	101⅜	101⅞	–0⅛	+0⅜	[illegible]
Werekdhave 7½ 90 FL	75	101	101½	–0¼	–0¼	7.17
Wessanen 6¾ 90 FL	50	98⅛	98⅝	0	0	7.35
S.N.C.F. 11 2005 FF	600	†100⅜	100⅞	–0¼	0	[illegible]
Australia Comm 11 92 £	40	99⅞	100⅜	–0½	–0⅜	[illegible]
BP Capital 10¾ 92 £	50	99⅝	100⅛	–0⅜	–0⅛	[illegible]
E.I.B. 11⅛ 93 £	50	100⅝	100⅞	–0⅜	–0⅜	[illegible]
GMAC UK Fin 10½ 90 £	30	99¼	99¾	–0½	–0⅜	[illegible]
Imp Chem Inds 11¼ 95 £	75	100⅜	100⅞	–0⅜	–0¾	11.13
Imp Chem Inds 10¾ 92 £	75	97¾	98¼	–0½	–0⅞	11.17
Mcdonalds 10⅞ 90 £	40	100½	101	–0⅜	–0⅜	[illegible]
Mitsubishi Fin HK 11 90 £	60	99⅛	99⅝	–0⅜	–0⅜	[illegible]
Privatbanken 11⅛ 92 £	20	101	101½	–0½	–0½	[illegible]
Rank Xerox 11 92 £	40	99½	100	–0½	–0⅜	[illegible]
Royal Ins 10⅞ 92 £	60	97½	98	–0½	–0½	[illegible]
Sterling Drug Cap 10⅞ 90 £	30	99⅞	100⅜	–0⅜	–0⅛	[illegible]
Tricentrol XW 11 92 £	35	96⅛	96⅝	–0¼	–0½	[illegible]
Trusthouse Forte 11⅛ 90 £	50	99¼	99¾	–0½	–0⅜	[illegible]
World Bank 11¼ 95 £	100	101⅛	101⅝	–0⅛	+0½	[illegible]
E.C.S.C. 10½ 94LF	100	105⅜	106⅛	–0⅛	+0⅛	[illegible]
Nat Lux Alum 10½ 92 LF	600	103⅛	104⅛	–0¼	–0⅞	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	†99⅝	99⅞	28/10	8¼	8.32
BankAmerica O/S 5¼ 96	0⅛	100⅛	100⅜	30/12	8⅛	8.19
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	[illegible]	[illegible]
B.F.C.E. 5⅛ 99	0⅛	100⅛	100⅜	13/12	8¾	[illegible]
B.N.P. 5⅛ 95	0	101⅝	101⅞	10/1	8¼	8.17
B.N.P. 5¼ 98 (July)	0¼	99¾	100	22/1	8¼	[illegible]
B.N.P. 5¼ 99	0⅛	100	100½	6/6	8¼	[illegible]
Britannia 5 93	0⅛	99⅞	100⅛	6/1	8	[illegible]
C.C.F. 5¼ 97	0	99⅝	99⅞	28/10	8.19	8.21
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Credit Lyonnais 5¼ 95	0⅛	100⅝	100⅞	11/10	[illegible]	[illegible]
Credit Lyonnais 5 00	0	100⅛	100⅜	16/1	5	[illegible]
E.E.C. 5 90	0	99⅜	99⅝	8/1	[illegible]	[illegible]
E.N.E.L. 5 00	0⅛	100	100¼	1/3	5	[illegible]
Iceland 5¼ 00	0⅛	99½	99¾	11/1	8¼	[illegible]
Ireland 5¼ 97	0	99⅞	100⅛	26/10	[illegible]	[illegible]
Ireland 5¼ 99	0	100⅞	100⅜	16/3	[illegible]	[illegible]
Lloyds Bank Perp	0¼	100	100½	9/12	8	7.98
Midland Bank Perp 5	0¼	100	100½	19/12	8⅛	[illegible]
Nat West Perp A 5¼ §	0¼	100	100½	9/1	8¼	[illegible]
Nat West Perp B 5¼ §	0¼	100	100½	10/2	[illegible]	[illegible]
New Zealand 5 97 £	0	99¾	100	14/11	11.56	11.58
Roy Bk Canada 5 2005	0⅛	99¾	100	7/10	8¼	[illegible]
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	[illegible]	[illegible]
United Kingdom 5 92	0	99⅞	100⅛	7/7	5	[illegible]

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	125⅛	126⅛	–1⅜	4.95
Comcast 7 2000	12/85	23.875	†104⅛	105½	0	[illegible]
Fanuc 3¾ 98	1/84	7032.3	199⅝	200¼	+7	[illegible]
Fuji Hvy Inds 3 2000	8/85	676	99	99¼	+0⅛	2.27
Fujitsu 3 99	5/84	1320.9	93⅞	94⅞	–0⅜	14.85
Kumagai Gumi 3½ 2000	9/85	600	153⅝	155⅛	+4	[illegible]
Marui 3½ 99	7/84	1157	140⅜	141⅞	–2⅝	[illegible]
Mitsubishi Elec 2⅞ 00	9/85	422	100¼	101¼	+0½	[illegible]
Murata 3½ 2000	7/84	2396	113⅛	114⅛	+6⅞	[illegible]
Nippon Elec 2⅞ 2000	1/85	1295	105¼	106¼	+3½	[illegible]
Nippon Oil Co 3 2000	5/85	993	95⅜	96⅜	+1⅛	–0.92
Oki Elec Ind 3¼ 99	10/84	805	93⅛	94⅛	–2⅜	14.44
Orient Leasing 5¼ 99	6/83	2580	189½	195½	–0½	[illegible]
Sekisui House 3 99	6/84	612	145⅞	147⅜	+2	–0.15
Sumitomo Bank 2¾ 2000	8/85	2142	96	97¼	+1⅜	7.59
Sumitomo Corp 2⅞ 99	5/84	593	128⅝	129⅝	–2⅝	[illegible]
Taiyo Yuden 3¼ 2000	9/85	1076	†100	102	+4	[illegible]
Takeda Riken 3⅛ 2000	10/84	[illegible]	†90	91	+2	[illegible]
Tokyo Sanyo Elec 3½ 99	12/84	772	97	98	+2⅝	3.91
Toshiba Ceramics 3 2000	4/85	1734.2	94⅝	95⅞	+5¼	[illegible]
Nippon Oil Co 2⅝ 92 SF	3/84	[illegible]	†101½	101¾	0	[illegible]
Nippon Shinpan Co 2 92 SF	3/84	801	†108½	109	–1⅛	[illegible]
Asics 5 92 DM	12/83	520	185¼	[illegible]	[illegible]	[illegible]
Renown 3⅛ 99 DM	3/85	875	[illegible]	[illegible]	0	–2.35
Sun Realty 5¼ 92 DM	2/83	938	†331½	332½	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES and FINANCE

Mixed results for NEC and Fujitsu

BY YOKO SHIBATA IN TOKYO

NEC AND FUJITSU, two leading Japanese electronics groups, showed divergent fortunes in the half-year to September, with the former far less troubled by the prolonged semiconductor recession.

Fujitsu suffered severely as its sales have a higher proportion of memory chips, demand for which has been particularly affected. This was compounded by the adverse effect of the yen's steep appreciation against the dollar.

Although no substantial recovery in the semiconductor market is expected in the current half-year, the directors of both companies yesterday indicated a feeling that the recession is bottoming out.

NEC's pre-tax profits for the six months were in line with its initial projection at Y60.08bn ($279.7m), some 13.3 per cent ahead. Net profits rose 39.3 per cent to Y32.08bn, on turnover of Y940.04bn, up 7.3 per cent. On a per share basis, net earnings were Y23.27 compared with Y18.46.

During the half-year, NEC's sales of communication equipment rose 18.7 per cent to contribute 36.7 per cent of the total. Reflecting buoyant sales of office computers, up by a half, NEC's sales in the computers and electronic equipment sector advanced by 19 per cent to account for 35 per cent of total turnover. However, electronic devices sagged by 20.5 per cent in sales to account for 21 per cent of the total.

Amid the recession in the U.S. personal computer market, NEC's exports of electronic devices to the U.S. slowed by 15 per cent. As a result, exports overall rose by only 0.8 per cent to account for 33.7 per cent of all sales.

As a result of volume production of communication equipment and computers, as well as cost-cutting efforts, the company's cost-to-sales ratio improved by 0.7 points to 66.4 per cent.

NEC has trimmed its capital investment allocation for semiconductors by Y20bn to Y120bn for the current full year.

Pre-tax profits for the year to March are projected at Y133bn, up 6 per cent, revised downwards from the initial target of Y150bn. Net profits are projected at Y65bn, up 22 per cent, on sales of Y2,050bn, ahead by 9 per cent.

Fujitsu, Japan's largest maker of computers, saw its half-year pre-tax profits fall Y5bn short of the initial projection to reach Y34.48bn, down by 36.3 per cent from the previous year. Net profits were 17.5 per cent lower at Y22.48bn on turnover of Y688.66bn, a rise of 18.7 per cent.

The company attributed the earnings decline—to Y15.68 a share against Y21.06—partly to lower margins on semiconductor sales. Turnover in its electronic devices division fell 20.4 per cent to Y91.43bn, accounting for about 13.3 per cent of all business.

For its information processing equipment, which represents as much as 70.7 per cent of total turnover, sales rose 24.6 per cent to Y488.90bn. In communications equipment, turnover jumped 48.5 per cent to Y110.33bn, where it accounted for 16 per cent of Fujitsu's total business.

It said the full-year outlook indicated a fall in pre-tax profits to Y72bn compared with Y117.59bn, and net earnings of Y46bn against Y63.30bn. Sales are forecast to advance from Y1,292bn to Y1,500bn.

State aid for Korean leasing industry

By Steven Butler in Seoul

THE SOUTH KOREAN Ministry of Finance has allocated 100bn won ($112.2m) in concessional loans for the country's rapidly expanding leasing industry. The measure is part of a series of government moves in recent months to spur investment in industry, which has been lagging due to sluggishness in the economy.

The money will be drawn from the National Investment Fund, with interest rates at 11.5 per cent, and from funds raised by the issue of certificates of deposit, carrying rates of 12.75 per cent annually.

Total outstanding leasing contracts at the end of September amounted to 903.4bn won, an increase of 53 per cent from a year ago. The industry has leapt ahead since 1982, when leasing contracts reached 163.6bn won, and the total this year is expected to exceed 1,000bn won. It covers a wide range of plant and machinery.

Citibank, Manufacturers Hanover, and the Tokai Bank of Japan each holds major interests in domestic leasing concerns.

Loans extended by the Bank of Korea, Korea's central bank, to banking institutions have shot up dramatically this year. At the end of September, outstanding loans amounted to 10,741.4bn won, an increase of 40.9 per cent since the end of 1984.

Mr Park Cheul, chief of the Bank's monetary policy department, said the unusual increase resulted in part from the Bank trying to accommodate a more expansionary monetary policy at a time when government spending and the current account deficit had a contracting effect on the money supply.

In September, M2, the broad measure of money supply, jumped up by 15.7 per cent compared with the previous year. The government has loosened control over the money supply in hopes of prodding the economy out of recession.

A Bank of Korea programme to boost commercial bank profits with concessional loans, however, has become bogged down. The programme, announced in June, was designed to bolster bank profits, which have suffered because commercial banks have had to extend billions of dollars in bail-out loans to insolvent shipping and construction companies.

Change of president for JAL

By Our Financial Staff

A FORMER official of the Japanese Ministry of Transport has been appointed as president of Japan Air Lines, in a reshuffle instigated by the Government in the wake of the crash of a Boeing 747 on August 12 which killed 520 people.

Mr Susumu Yamaji, 60, who has served both as an adviser to JAL and to Mr Yasuhiro Nakasone, the Prime Minister, is to succeed Mr Yasumoto Takagi, 73, who offered his resignation as president after the crash.

The Ministry said that Mr Matsuo Toshimitsu, 61, would be moved from his present position as president of Nikko Shoji, a trading subsidiary of the airline, to become JAL vice-president.

It was unclear, ahead of a formal announcement by the company, expected today, whether this would imply the departure of Mr Naoshi Machida, 67, the current JAL vice-president. He had earlier been tipped to take over the top position.

● Sir Adam Thomson, chairman of British Caledonian Airways, said in Hong Kong that it was planning a share flotation in the territory for Caledonian Far East Airways, a regional affiliate. This would give majority control to Hong Kong investors.

Atlas Industries in receivership

BY DAVID DODWELL IN HONG KONG

ATLAS INDUSTRIES, the financially troubled Hong Kong electronics group has been placed in receivership by the Hongkong and Shanghai Banking Corporation, one of the company's leading creditors.

Mr Peter Wrangham, Hongkong Bank's general manager, said the decision to call in the receiver came after discussions with Mr Alan Miller, chairman of Atlas. Peak Marwick Mitchell, the accounting firm, has been appointed receiver.

Trading in Atlas shares was suspended last Thursday as news of its deepening financial problems circulated in the territory's stock markets. The shares had fallen from a peak HK$9 a share to a suspension price of just 25 cents.

Atlas has been seriously hurt by declining international demand for a range of electronics products. In particular, the cancellation of a US$180m contract to supply IBM with disk drives has caused serious cash-flow problems. Atlas had invested heavily in new plant in Malaysia to meet the IBM order, incurring heavy debts in the process.

It was unclear yesterday what action was planned by Atlas' other creditors. These include Bank of America and Barclays Bank International. It was reported at the weekend that 13 claims had been filed against Atlas in Hong Kong, amounting to around HK$2.7m (US$346m).

Neither Mr Miller nor any other Atlas executive was available for comment yesterday. Hongkong Bank would not comment on the size of the company's debts, nor on the size of its own loans outstanding. It is as yet unclear whether the whole company or parts of it can be rescued by the receivers.

Claremont in Triton Energy bid

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S Claremont Petroleum has established a 5.5 per cent stake in Triton Energy Corporation of Dallas, Texas. It is also to file notification that it may buy additional Triton shares and seek to acquire control of Triton through a tender offer.

Claremont claims that the directors of Triton have breached their duties in issuing a controlling block of Triton shares to Crusader Oil, Triton's Australian subsidiary.

In the year to May 31, Triton reported revenue of U.S.$51m and net earnings of U.S.$9.8m. It participated in 175 oil and gas wells in North America, France, the North Sea, and Australia. Its proved reserves are about 35m net equivalent barrels of oil.

Claremont made net profit of A$10.2m in the year to June 30, on revenues of A$26m. The bulk of its revenue was derived from the sale of 643,138 barrels of oil from southern Queensland, plus revenues from the Jackson-Moonie pipeline.

It says that in total oil exploration acreage, it ranks third among Australian listed companies.

Claremont says that Triton's underlying assets are significantly undervalued in terms of its market capitalisation of U.S.$228m. The Australian company says Triton's 59.5 per cent interest in Invent Energy, a UK-based petroleum company, is worth approximately $233m and that its 47 per cent interest in Crusader Oil is currently worth about U.S.$70m.

"These two assets alone are currently therefore worth some U.S.$303m as against Triton's own market capitalisation of U.S.$228m," said Claremont.

NBH chairman cautious on near-term outlook

BY KENNETH MARSTON, MINING EDITOR

MR LEITH JARMAN, chairman of North Broken Hill Holdings, the Australian mining and investment house which acquired EZ Industries last year, remains cautious about the near-term outlook.

NBH's profit performance in the year to next June "is unlikely to improve greatly from 1984-85," he said at the company's annual meeting in Melbourne. Net profits fell to A$25.33m (£12.4m or $17.8m) in 1984-85 from A$31.41m.

Although the NBH mining operations were not competitive, Mr Jarman said that high priority was being given to rectifying problems. Capital investment has been increased to an annual rate of A$100m and the group structure has been modified

He noted that for each U.S.$100 rise in zinc prices—currently around U.S.$845 per tonne for Prime Western zinc—NBH pre-tax earnings would increase by A$26m.

Carrian Investments

A HONG KONG court has dropped a charge of conspiracy to defraud against Mr Mark Saunders-Davies, formerly of Wardley, the merchant bank. He had been charged in connection with the collapse of Carrian Investments in 1983. The date for trial of the remaining defendants was set at January 15.

UK COMPANY NEWS

David Lascelles assesses Guinness Peat's bid for Britannia Arrow

Proposed marriage of phoenixes

IF A BOLD takeover bid is the mark of corporate self-confidence, then Guinness Peat is back on its feet.

The widely-expected £212m bid for Britannia Arrow comes barely three years after the financial services group was teetering on the brink of bankruptcy. And it bears all the marks of the man who pulled the group back from disaster, Mr Alastair Morton, its chief executive.

Should he succeed — and Britannia was bristling with hostility yesterday — Guinness Peat would match in size Britain's largest merchant banks, with substantial interests in banking, investment management and insurance, and other things besides. Financial services marriages, however, are not best made forcibly, and a successful outcome may only be the first step to making a combination that works.

The joining of GP and Britannia would be a marriage of phoenixes.

When Mr Morton took over in 1981, Guinness was in dire straits, wracked by losses from its Lewis and Peat commodity business and burdened by debt. Since then, through a combination of ruthlessness and sheer force of will, which made him as many enemies as friends, Mr Morton has straightened out GP, with a reconstituted balance sheet and a profitable, if oddly assorted, string of businesses.

They include Guinness Mahon, the accepting house, Fenchurch, an insurance broker, and Guinness Peat Securities which manages interests in property, energy, and other ventures. It also has an investment management business and a 22.7 per cent stake in Guinness Peat Aviation, a highly successful aircraft leasing company.

The theme that pulls all this together is asset management, which Mr Morton defines in the broad sense of enhancing value for investment clients, fund managers and shareholders.

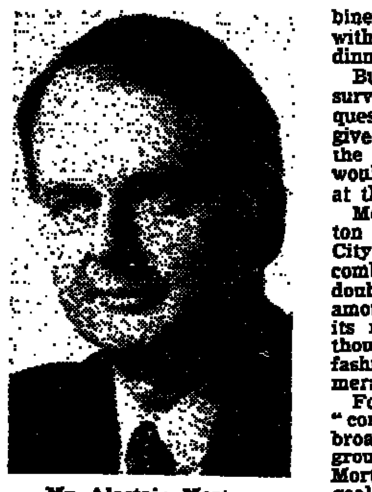
Britannia is the reconstitution of the Slater Walker group where the days of glory ended abruptly in the 1970s. Starting almost from scratch, the management, under Mr Michael Newman, has built up a highly successful financial conglomerate.

Through a spate of acquisitions in the last couple of years, it has a £4.8bn investment management business, split between the UK, where it is one of the leading unit trust managers, and the U.S. where it controls about $4bn. It also owns National Employers Life, the life insurance company and Singer & Friedlander, the small accepting house.

The appeal of a merger for GP is that both groups are in similar lines of business with minimum overlap. GP's investment management is mainly in UK institutional business, with currency funds run from the Channel Islands. Britannia's strength on the UK market is at the retail end with its unit trust, and it has large interests in America, where GP has nothing.

In the insurance market, GP is in broking, and Britannia in underwriting.

The exception is that both groups own accepting houses and they are not businesses that can



Mr Alastair Morton

be readily married against their management's will. GP wants to combine the two if its bid goes through, but unless Singer comes willingly, it will waste no time and sell it.

That would mark yet another upheaval for Singer which has changed hands three times in 15 years, though its management, under Mr Tony Solomons has weathered it well. If it came to another sale, Mr Solomons might consider a buy-out, but given the high cost of financing such deals, would probably opt for a public flotation.

The people question must also come up at the top level. Mr Morton claims that he and Mr Newman have frequently, and amicably, discussed what a combined group would look like with the last time being over dinner only a few weeks ago.

But whether amicability could survive a hostile takeover is a question to which the City might give a sceptical answer. Even the name of the merged entity would depend on the atmosphere at the time of consumation.

More fundamentally, Mr Morton will have to convince the City that there is logic to the combination. Some analysts doubted yesterday that it would amount to more than the sum of its rather too numerous parts, though it matches the present fashion for financial conglomerates

For GP, the merger would "complete the creation of a broadly-based financial services group." That implies that Mr Morton would have achieved his goal and that the acquisitions and flood of new paper he has initiated in the last 18 months would be over. Since he arrived, GP's issued shares have nearly quadrupled from 67m to 243m. The Britannia acquisition would more than double them to almost 500m.

For once, this is a City alliance that owes nothing to Big Bang. Mr Morton is deeply sceptical about the opportunities for profit in the new markets being shaped by the City revolution. He thinks successful companies should concentrate on building strong balance sheets rather than committing capital to an uncertain business.

"We'll be as big as Kleinworts and Warburgs," he said, "but without their commitment to Big Bang."

See Lex

China & Eastern to join London SE

China & Eastern Investment Company, claimed to be the first listed company to offer direct investment in China since the fall of the Manchu empire, is being briught to the market by Baring Brothers, the London merchant bank.

Baring's investment management subsidiary, Baring International Fund Managers, will manage the investment company, which is incorporated in Hong Kong. Initially around 15 per cent of the company's assets are expected to be invested directly in China, with the remainder mainly in Japanese and Hong Kong quoted companies with strong business connections to China.

The issue has been preplaced, but public subscriptions are invited for up to 25 per cent of the 17m shares on offer. The shares are priced at $1.00 or 71p, at the option of the applicant.

Every five shares will be issued with one warrant, exercisable between October 1 1988 and September 30 1991, to subscribe for one ordinary share at the price of $1.

While the level of direct investment in China may rise over the next five years to around 30 per cent of China & Eastern's assets, Baring intends to restrict its direct investments, in view of the lack of liquidity of such investments and the present uncertainty of the regulatory environment within China.

Investments in any one company will generally not exceed $500,000 or 2 per cent of China & Eastern's gross assets. Barings does not intend to take more than 15 per cent of the equity of any project, but expects to piggy-back on joint ventures between other Western companies and China.

James Capel is broker to the issue. Dealings are expected to start on November 12.

● comment

However appealing the idea of riding piggy-back on China's four modernisations, the prospects of taking a profit from China & Eastern's direct investments look distinctly long term. "Venture capital at best, with the added political risk," kas the kindest thing one broker could find to say of this aspect of the fund's investments. Even if the investments bear fruit, getting earnings out of China could prove challenging. Baring has, however, secured the services of two heavy hitters from the Chinese hierarchy for the fund's advisory council, which should at least keep it in touch with changes in the rules governing foreign investment. And getting in at the start could provide a big advantage in years to come, if China opens up more fully.

Rush & Tompkins improvement

Rush & Tomkins Group, holding company with property investment and building and civil engineering interests, has increased pre-tax profits for the six months to June 30 1985 from £1.17m to £1.28m, in spite of difficulties in the UK construction market.

Mr Derek Palmar, chairman, says the company has taken steps to strengthen further its control over costs.

Its regional presence has been enlarged by the acquisition of a construction business based in Leeds.

The northern region has had a good year, particularly in its success in obtaining the contract for the £60m Metro centre at Gateshead, Tyne and Wear. Work on the contract is on schedule.

The international construction division completed the main phase of the Ethiopian dam on schedule and in time for the rainy season. The whole project will be finished by the end of the year.

The company says it still experiences delays in contracts being awarded even when it has submitted the lowest prices.

The group's UK property portfolio has been strengthened by the acquisition of offices in central London as announced in June. The purchase was financed partly by the issue of 1.1m new shares with the balance of £1.8m paid in cash.

The sale of older industrial investments continues and the company is refurbishing its investment property at Sidcup, Kent. This is expected to cost about £2.5m and will be spread over several years, considerably enhancing the building's investment quality.

In the U.S., the first building of a contract at Princeton is complete and is being handed over to the purchasers. The company's Washington retail scheme is on schedule for completion by the end of the year.

An interim dividend of 2.2p (2p) is being paid. The company has changed its accounting year end to March 31 and will be issuing a second interim statement covering the year to December 31 and paying a further interim dividend in April 1986.

Turnover was up at £57.1m (£49.04m) with net rents of £1.22m (£1.17m). Tax was £140,000 (£15,000) and interest charges were £1.66m (£1.04m). The company says the increased interest charges were due to higher worldwide rates throughout the period. The fall in rates during the early part of the current half will benefit the company in the future, it says.

Earnings per share were stated at 9.7p (9.2p).

Reorganisation puts Top Value in black

THE CONSEQUENCES of reorganisation at Top Value Industries, clothing manufacturer, continue—as predicted—to be felt during 1985, according to Lord Barnett, chairman, commenting on results which show the company back in profit.

A loss of £16,629 has been turned into a pre-tax profit of £1,415 for the six months to June 28 1985. Turnover, however, was slightly down at £2.19m against £2.33m.

Lord Barnett says that in the manufacturing division, the changes introduced by the new management team are gradually taking effect and sales and production are increasing in line with a carefully planned programme.

In the retail division, the new discount chain is beginning to take shape and an experienced general manager has been appointed. The first store will be open for Christmas trade and several more are under negotiation.

There was again no tax charge and extraordinary debits were £36,955 (£11,818). Earnings per 10p share were stated at 0.04p (loss 0.42p).

Associate boosts Samuel Props.

ATURNROUND of £863,000 in the contribution from its Bryant-Samuel associate enabled Samuel Properties to report pre-tax profits up by 11 per cent on turnover little changed in the year to the end of June.

Turnover for the London-based property investment holding company, was slightly down at £18.06m, against £18.17m. Pre-tax profits however, improved from £3.12m to £3.46m.

From earnings per share of 6.4p (8.18p), the directors are recommending a final payment of 4.25p, up from last year's 4p, making a total for the year of 5.85p (5.5p). December.

Profit before interest came out at £5.09m (£4.23m), however interest payments were greatly increased from £459,000 to £1.84m leaving operating profit at £3.25m (£3.77m). Mr P. M. Samuel, chairman, says the increase was due to property dealing in the U.S.

The pre-tax figure was boosted by a profit of £205,000 from Bryant-Samuel, against losses last time of £658,000. Mr Samuel says that at Waltham Abbey, Essex, completion of the M25 has improved the attractiveness of its property. Elsewhere the company has continued to secure lettings and, with rent reviews, there should be a further improvement in profitability next year.

The tax charge was £1.46m (£773,000) the increase being the result of the phasing out of stock relief and lower capital capital allowances. Minorities took £14,000 (£16,000) and there were extraordinary items of £858,000 (£1.07m) mainly relating to the disposal of investment properties during the period.

At the year end the group's property portfolio was revalued, resulting in a net surplus of £3.05m which has been credited to unrealised capital reserves.

In the group's commercial portfolio the chairman considers the most important feature to have been the acquisition of three fully-let investment properties in Central London, Wimbledon, and Greenford, Middlesex for a total of £7m in

Mr Samuel says that the board is confident that the policy of improving the quality of the property portfolio by acquiring freeholds and long leaseholds and disposing of leasebacks and other properties which are not considered to have satisfactory growth potential will result in a significant increase in rental income and net asset value.

Thos. Tilling ahead

Thomas Tilling, industrial holding company owned by BTR, has improved pre-tax profits by 18 per cent in the half year to June 29 1985.

On turnover ahead from £744.4m to £762.7m operating profits were £50.5m (£49.1m), and the pre-tax result of £47.3m (£40.1m) was struck after other income of £7.5m (£3.8m), and finance costs of £10.7m (£12.8m).

Stated earnings per share rose by 0.3p to 2.4p after a tax charge of £18.9m (£16m).

Continental Microwave £3m rights for growth

BY RICHARD TOMKINS

Continental Microwave (Holdings), the Luton-based designer and manufacturer of telecommunications, broadcasting and defence electronics equipment, intends to raise £3m net through a rights issue of five convertible preference shares for every four ordinary shares held.

The company said the issue would eliminate its borrowings and provide it with the working capital to finance expansion.

The offer is for 3.18m 6 per cent convertible cumulative redeemable preference shares 2005, of £1 each at par. They will be convertible between 1987 and 1997 at the rate of 97 ordinary 25p shares for every 400 preference shares, giving an effective purchase price of 412.4p per ordinary shares.

When all the preference are converted a further 770,558 ordinary shares will have been issued.

The directors and their families will not be taking up their rights to 1m of the shares. These will be taken up by institutional and other investors.

Continental Microwave made pre-tax profits of £708,000 in the year to last June, against £443,000 the year before, on turnover of £8.739m (£6.556m). Borrowings, however, have risen to the point where they represent over 90 per cent of shareholders' funds, and in the year to June interest charges took 32 per cent of operating profits.

The company said yesterday that orders had risen to £10.5m in June from £6.4m the year before and it expected its premises to be working at full capacity this year. The rights issue would enable it to finance expansion.

The issue is underwritten by Hambros Bank and the brokers are Stock Beech and Co. Continental Microwave's shares closed 5p down at 350p yesterday.

COMPANY NEWS IN BRIEF

GALLAHER'S third quarter group turnover was £845.7m compared with £790.7m, making a a total of £2.34bn (£2.15bn) for the nine months ended September 30 1985. These figures were incorrectly stated as £651.4m (£612m) and £1.73bn (£1.61bn) respectively.

TR INDUSTRIAL and General Trust is lifting its interim dividend from 1.2p to 1.4p net, and forecasting a final of 2.4p (2.3p) for the year to March 31 1986. For six months ended September 30 last, net profit is £5.5m (£4.2m) for earnings of 2.54p (1.93p) per share. Net asset value after prior charges at par was 197.9p (186.8p).

PHOTAX (LONDON), manufacturer and importer of photographic equipment, achieved taxable profits of £47,000, against £40,000, for the first six months of 1985 on turnover lower at £2.88m (£3.18m). No dividends have been paid since 1982.

GRAND CENTRAL Investment Holdings shows an increased loss of £18,847 in the first half of 1985 (£6,469), equal to 0.13p (0.04p) per share. Compensation monies totalling Rs57m have been received from Sri Lanka and placed on deposit — the equivalent sterling amount was £1.53m.

COOKSON GROUP'S offer for Frank Horsell Group has received acceptances for 6,032,577 ordinary (99.3 per cent) and 915,736 (97.6 per cent) preferred ordinary shares, and has become unconditional. The offer and the cash alternative will remain open until further notice.

HAYS GROUP, based in Guildford, has acquired Roberts Petroleum, which is Humberside based and supplies 280 service station outlets concentrated in the Midlands, Lincolnshire and Cambridgeshire.

OCEAN MARINE, the Merseyside based division of the Ocean Transport and Trading Group, has taken over Gracie Beazley Travel from John Holt group.

UK COMPANY NEWS

Bunzl's £95m Utd. Parcels offer

BY DAVID GOODHART

Bunzl, the aggresively acquisitive paper, plastics, cigarette filters and distribution group, yesterday unveiled a surprise agreed bid for United Parcels, valuing it at £95.2m.

The company, of which Mr James White, non-executive chairman of United Parcels, is managing director, is offering two of its shares plus convertible loan stock valued at 356p for every nine United Parcels shares. At last night's closing prices that valued each Parcels share at 150p, with a cash alternative of 140p.

In May Bunzl made an unsuccessful bid for Brammer, bearings distribution group, but earlier this month clinched another agreed £30m share offer for Stewart Plastics.

The company said its financial strength would enable United Parcels to develop an "ambitious growth strategy," while its overseas connections would help United add an international dimension to its operations.

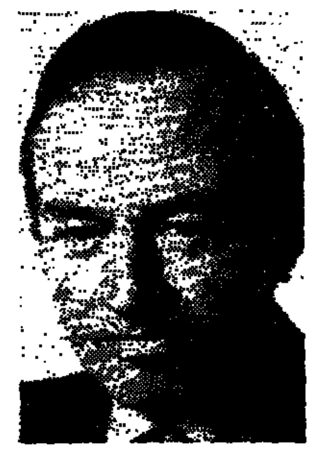
Bunzl made pre-tax profit last year of £27.6m on turnover of £857m and, in September, announced a 57 per cent increase in interim profits to £19.02m with a full-year forecast of £40m.

Although the company has little direct experience of the transport and parcels sector in the UK, it has relevant experience in the U.S. Mr White, who masterminded the bid, knows the company and sector well as its non-executive chairman and former transportation director of the Lex Service Group.

He said yesterday that United Parcels would form the core of Bunzl's long awaited "fifth division" and further acquisitions would be made "with cash not paper" to mop up some of the struggling smaller operators in an industry still suffering from overcapacity.

At present over 70 per cent of Bunzl's profit comes from the U.S. but United Parcels—which made £7.1m on turnover of £66m to the year end January 1985 and is expected to make £8m this year—should shift the balance back to about 42 per cent, close to Bunzl's 1981 level.

United has recently acquired the profitable York Trailer Holdings and the loss-making Atlas Express. The latter has been heavily rationalised with 26 depots cut to 16, turnover cut by £4m and the workforce cut



Mr James White

by 20 per cent. United Parcels is also soon to launch an overnight service.

Ironically, the improvement of United's image in the City and the doubling of its share price over recent months owes a great deal to Mr White—as well as to its strong operational management.

The bid was welcomed as a good move by most analysts. Mr Tony Pennie, of James Capel, said there should be no dilution from the extra shares issued because of the expected rise in profits.

Acceptance of the offer will involve the issue of 14.7m Bunzl shares (19 per cent of the present issued share capital) and about £26.1m in nominal value of the Bunzl convertible stock. Including shares issued for the Stewart agreed bid, Bunzl's shares in issue will rise from 77m to 95m.

The market seemed to respond favourably to the news. Bunzl's share price fell only 3p to close at 497p; United Parcels rose 32p to close at 145p. Bunzli said the offer represented a 28 per cent premium on the middle market price of 118p on October 25. Bunzl yesterday acquired 14.9 per cent of United Parcels taking its total to 23.8 per cent.

Bunzl has been growing fast in recent years. In 1981 its market capitalisation stood at about £25m and when the United Parcels deal is completed it should top £470m.

Allied London advances to £3.35m

A YEAR of further progress at Allied London Properties has seen the pre-tax profits rise from £2.84m to £3.35m, and the net asset value go up by 8p to 160p.

Shareholders draw benefit from an increase in their dividend and a proposal for a one-for-two scrip issue. The final dividend is 1.858p for a net total of 2.1p, against 1.7p.

The company draws rental income from its portfolio of offices, warehouse/industrial and retail, and a house building subsidiary. It continues to invest and develop in the south-east and around the M25, and with the final completion of the motorway during the coming year the directors look forward with confidence.

Income for the year ended June 30, 1985 rose from £7.52m to £8.67m, while administration expenses and interest charges both showed increases. After tax £671,000 (£446,000) the net profit comes to £2.68m (£2.39m) for earnings of 8.03p (7.16p) basic and 6.52p (5.8p) fully diluted. This time there are extraordinary credits of £656,000.

A professional valuation at June 30 shows the property portfolio to be £78.2m, which has been incorporated in the accounts. The portfolio comprises 55 per cent offices, 39 per cent warehouse/industrial and 6 per cent retail.

At Central House, Hounslow, further lettings resulting in 70 per cent of the office accommodation have been concluded. Negotiations for remaining space are in hand.

The office development in Gerrards Cross is fully let. In the centre of the town a former Woolworth store has been acquired and relet on satisfactory terms.

● comment

Allied London Properties' profits and dividend growth are certainly pleasant to behold, but more important is what the asset value has done, and the simple fact is that it has done very little. The revaluation reserve grew by only £264,000 to £35.125m, indicating disappointing growth in value of what is otherwise an attractive portfolio. Allied London is not alone in experiencing poor asset value growth: Peachey Property's results earlier this month and Samuel Properties' figures yesterday confirmed that property companies generally are struggling against a sluggish market background. The difference between them, however, is that with Allied London's shares up 4p at 120p yesterday, the 8 per cent discount to the diluted net asset value of 130p is looking pretty tight against a market average of about 18 per cent. Allied's price is sustained by optimism about the growth prospects for its portfolio with its split between modern office, industrial and retail premises, its M25 orientation and the interesting developments in the pipeline. The market may forgive one blip but to justify this rating Allied London will need to deliver next time.

Virani sells Woodhouse stake for £0.4m profit

BY FRANK KANE

Virani Group, the leisure, hotel and property group privately owned by Mr Nazmu Virani, has made a profit of around £400,000 on the sale of its 22 per cent holding in Woodhouse and Rixson, the Sheffield based forgemaster.

It was disclosed yesterday that the holding of 2.02m shares had been sold at 40½p. Mr Virani said that he had paid "about half" that for the shares, which he began to purchase nine months ago.

The stake was sold by broker Capel Cure Meyers and is believed to have gone to more than one institutional client.

The sale ends speculation that Mr Virani was about to bid for W & R. He insisted that the holding had always been "just an investment. We were backing the management at W & R, but we had a good offer and thought we'd take it."

Mr Virani also said that talks were continuing between Belhaven Brewery, the Scottish company of which he is head, and George Bateman and Son, the family controlled Lincolnshire brewer.

David & Charles to join OTC market

David & Charles Publishers, known for its railway and leisure books, is being brought to the over-the-counter market by the Guidehouse Group, with an issue of 4.5m new shares.

The issue is intended to raise £1.3m, to be used to exploit David & Charles's backlist of titles and to allow it to bid higher for new titles.

The company, which also operates specialist book clubs, reported pre-tax profits of £254,000 in the nine months to January 31, on a turnover of £5.6m, and forecasts a profit of not less than £450,000 for the year ending January 31 1986.

Its earlier profit record is, however, rockier, with substantial losses recorded in 1982 and 1983. The company suffered from a period of book club warfare, brought to an end earlier this year following the intervention of the Office of Fair Trading. The acquisition of Heritage Fine Arts at the same time also proved indigestible.

The shares are priced at 30p, a multiple of 7.2, assuming a nil tax charge. Broker to the issue is Kitcat & Aitken. A market will be made in the shares by a subsidiary of Guidehouse.

Allied-Lyons boosts Canadian operation

Allied-Lyons, which is facing a £1.8bn takeover bid from Elders IXL, the Australian company, yesterday announced plans to strengthen the marketing of its wines and spirits in Canada, through the purchase of a 49 per cent stake in William Mara, a Canadian importer and distributor.

It is paying C$1m (£0.52m) for its stake in Mara, a subsidiary of Corby Distilleries of Montreal. Mara will market Allied's wines and spirits products, such as Harvey's Bristol Cream sherry and Teacher's scotch from early 1986. Mara's distribution activities, currently concentrated in Ontario and Quebec, will expand to cover the country.

Allied-Lyons has, until now, used nine agents in the Canadian market. The company said the deal had been in the pipeline for months and had no connection with the Elders bid.

PICT PETROLEUM, USM-quoted oil company, is now 7.26 per cent owned by Det Norske Oljesselskap of Norway.

Drayton Premier receives £158m bid

By Clive Wolman

The National Coal Board Pension Fund yesterday launched a £158m bid for Drayton Premier Investment Trust which is managed by Montagu Investment Management (MIM).

The Drayton Premier share price soared yesterday from 446p to 515p, 15p above the value of the offer. The NCB pension fund, with total assets of over £6bn, currently has a 28.2 per cent stake in Drayton Premier which it has built up over the last six years.

Drayton Premier chairman Mr John Storar said last night: "This is a serious offer from a serious quarter but no one should rush to accept." The Drayton Premier board will be meeting to respond to the offer today or tomorrow, he said.

The bid is unusual in that the offer price is fixed at 500p per share rather than being based on a formula dependent on the underlying net asset value of the trust. The offer price represents a discount of about 7.5 per cent to the trust's net asset value which is estimated at 540p.

The offer at present is thus less generous than most bids for investment trusts which are made at prices much closer to net asset value. If, however, during the period of the bid, the stock market falls and with it Drayton Premier's net asset value, the offer will be more attractive.

The NCB pension fund is offering cash or the alternative of loan notes issued by a subsidiary company in exchange for Drayton shares. Drayton shareholders will be able to accept the loan notes offer and avoid any immediate liability to capital gains tax.

The absence of a loan notes alternative was a major criticism of another recent pension fund take-over bid for an investment trust, launched by the Merchant Navy Officers pension fund.

Mr David Prosser, managing director of the NCB pension fund's investment department who resigned as a director of Drayton Premier earlier this year, said yesterday: "The offer price is about 60p above the price at which the shares have been trading. With this offer, shareholders will know exactly what they are getting."

Mr Prosser indicated that, if its bid was successful, the Drayton Premier share portfolio might continue to be managed as a unit. One possibility is that the fund could be managed by the Edinburgh managers of the British Investment Trust in which the NCB pension fund has an 84 per cent stake.

Drayton Premier has been subjected to widespread criticism in recent years on account of its poor investment performance. Over the five years to September 1, the fund's total return (with net income re-invested) on its assets was 117.4 per cent compared with an average total return of 147.2 per cent in the investment trust sector. Over the last year however in which its investment policy has switched towards achieving a higher dividend yield, the trust has out-performed the sector.

The trust has also been criticised for its cross-holdings in other trusts maanged by MIM. Yesterday following the announcement of the bid for Drayton Premier, the share price of Drayton Consolidated in which both the NCB pension fund and Drayton Premier have substantial stakes was boosted by 14p to 328p on bid hopes.

Ward White puts agreed £53m bid for Owen Owen

BY CHARLES BATCHELOR

Ward White, the fast-growing retailing and shoe-making group, is making an agreed £53m takeover bid for Owen Owen, the Liverpool-based department store chain, in a move which blocks an earlier £40m offer from Clayform Properties.

Ward has won the backing of the holders of 51.37 per cent of Owen's shares in a move intended to prevent any rival bid. Burton Group, Mr Ralph Halpern's menswear company, was believed to have been interested in Owen.

This is the third big retailing acquisition by Ward in the past year and will bring its takeover spending in the period to £124m.

Ward has been building up a broadly-based retailing operation on both sides of the Atlantic in the past few years. In the UK it paid £52m for Halfords, the bicycle and motor accessory group, and £19m for Maynards the toy retailer and confectionery manufacturer. It made an unsuccessful bid worth £97m for Foster Brothers Clothing, a menswear chain, last February. It is now finalising the purchase for $4m (£2.8m) of a further 18 stores in Florida.

Mr Philip Birch, chairman of Ward White, said he planned to improve the trading performance of Owen's 21 stores by tightening financial controls, developing Owen's small credit card operation and applying Ward's management expertise.

Owen has been recovering recently from losses in 1982 and 1983 resulting from its troubled Canadian subsidiary, which has since been sold. It has forecast a marked improvement in the year to January, against last year when it made a pre-tax profit of £1.8m on turnover of £89m.

Mr Birch said: "Our first priority is to improve the performance of the stores. If we get a winning formula then we will roll it out with additional stores."

Owen's department store business represents a new departure for Ward, which has previously been involved in more specialised fields of retailing.

Ward looked at Owen several years ago but dismissed it as a takeover prospect because of the family holdings of more than 40 per cent. However, when Clayform launched its bid on October 10 Ward began talks with the Owen board.

Ward bought a 2.27 per cent holding while talks were being held to give itself a controlling stake in combination with the 49.1 per cent holding which has been committed to the deal by the three families related to the founder, by directors and their associates.

Ward is offering 12 of its own shares for every seven Owen. Owen shareholders will be entitled to a 10p second interim dividend from their company but will not rank for Ward's interim payment of 1.85p for the year ending January 1986.

Ward will offer a cash alternative worth 490p for each Owen share. Morgan Grenfell, Ward's merchant bank has underwritten the alternative offer up to a value of 480p leaving Ward to make up the difference with a 10p cash payment. The maximum cash payment by Ward would be £956,000.

Ward's shares rose 12p to 314p yesterday to value its offer at 538p for each Owen share. Owen's shares rose 28p to 528p.

Ward is also offering 100p cash for each Owen 6.5 per cent £1 cumulative preference share.

Reuters minority in Instinet

BY CHARLES BATCHELOR

Reuters, the international business information group, is to take a minority shareholding in Instinet, the US group which has developed an electronic share-dealing system, in a deal of much more modest proportions than that proposed last June.

Reuters announced yesterday that it has reached agreement in principle to pay $10.9m (£7.6m) for a 6.9 per cent stake in Instinet and warrants which would raise its stake to 16.4 per cent. Initially Reuters hoped to buy 20 per cent of Instinet with an option to take its holding to a controlling 51 per cent.

The British group's ambitions have run into opposition from Instinet's board and its other shareholders which are unwilling to give Reuters control.

Mr Bill Lupien, Instinet chairman, said: "The board sees more upside in the near term so we don't want to sell 51 per cent at this point."

Mr Glen Renfrew, Reuters chairman, commented: "We have got pretty well what we wanted for the immediate future. We have a low-cost, low-risk entry into Instinet with a smaller shareholding."

Reuters will buy 400,000 new Instinet shares and three-year warrants to buy up to 1.2m more new shares at $22.50 a share. It will pay $4.5m in cash and the balance at Reuters option in cash or shares. The revised deal gives Reuters a holding closer in size to those held by a number of U.S. brokerage houses. CMNY Capital Corp, a subsidiary of Carl Marks, a U.S. broker, has 460,000 shares. Merrill Lynch owns 400,000 shares and 600,000 warrants.

Reuters is currently attempting to negotiate an agreement with the London Stock Exchange for the Instinet share dealing system to become part of the exchange's dealing and information network.

Part of the agreement announced yesterday provides for a co-operative marketing agreement in North America covering the services of the two companies. Technical co-operation is expected to lead to the Instinet system being accessible on Reuters' Monitor screens some time next year. This will avoid the need for separate Instinet terminals.

Goldsmiths £0.3m midway loss

Goldsmiths Group of jewellers, pawnbrokers, hoteliers and insurance consultants, is maintaining its interim dividend at 2p net per share, although it has run up a pre-tax loss of £298,000 in the half year ended August 31 1985, compared with a profit of £165,000.

In jewellery there was an operating loss of £391,000 (£120,000) but the division is trading satisfactorily and the full year should seen an improvement on 1984-85. There was no contribution from insurance (£20,000); this continues to experience pressure on rates and margins but it is thought that action being taken will correct this.

The betting division produced £280,000 (£375,000) but, as this was sold earlier in the year, results are not directly comparable.

Full-year group figures will be affected by the acquisition of Heritage Hotels, which currently loses money during January/February. The following year will see a significant contribution to profits particularly during the summer, thereby reducing the seasonal effect of the jewellery side.

The directors point out that comparisons of trading figures in jewellery are difficult because of expansion. Sales more than doubled reflecting the acquisition of Walker and Hall; although the loss increased comparison on a like-for-like basis and including Walker and Hall reflects an improvement of £323,000 (£714,000 loss).

● comment

Investors were not amused when Goldsmiths signalled a few weeks ago that it would make a loss in the first half. Having moved down from a high of 237p, the shares yesterday stalled at 176p as the market digested the sombre announcement. The real problem is Mr Gover's insurance interests, injected into the group last year, which appear to be sinking in an increasingly competitive market for motor insurance. Having just broken even in the seasonally stronger first half, in the second half insurance is likely to be a drain on resources as well as on management time. Meanwhile, the company's strength has hitherto been its ability to make shrewd acquisitions, which have quickly improved both assets and earnings. In the latest switch from betting shops to hotels it may have lost its touch by paying far more than asset value for the Heritage Hotels, which are not likely to match the £600,000 contribution from the betting shops for several years. Profits of about £1.2m look likely this year, implying a p/e ratio of 17. Unless the company can sort out, or preferably sell, its insurance operations quickly, the shares may fall further.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Allied London Props ...	1.86	—	1.48	2.1	1.7
Goldsmiths Group ...int	2	—	2	—	7.5
Prestwich Holdings	0.7†	—	0.7	1.05	0.7
Rush & Tompkins ...int	2.2†	Jan 7	2	—	7.65
Samuel Properties	4.25†	Jan 6	4	5.85	5.5
Usher-Walker ....int	2.2	Dec 13	2	—	6.6
Viking Resources ...int	0.55	Dec 16	0.5	—	1.15

Dividends shown pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Welpac hit by cost increases

FIRST HALF profit at Welpac, *USM wholesaler of* pre-packed hardware and DIY goods, fell from £148,041 to £128,348, but the directors are confident of an improvement in the second half. Turnover rose by £558,000 to £2.23m.

They say the dividend payment will reflect the outcome for the full year. In the year ended January 31 1985 the dividend was 0.3p net from pre-tax profits of £404,000.

The reduced profit is attributable to increased fixed costs incurred to support future *expansion—employee costs* have gone up 50.15 per cent and operating and external charges by 33 per cent compared with the corresponding period.

No *provision has been made* for the write off of goodwill as a scheme of capital reconstruction is planned which will eliminate that item. The charge *would have been £12,363.*

Prestwich in strong position

THE MUCH expanded Prestwich Holdings is on target for the year ended June 30 1985, and says it enters the current term in a "particularly strong" position to capitalise on the major development of the last 12 months.

Over the past year the group has seen considerable change and progress, the benefits of which have only started to come through towards the end of 1984-85.

The directors are continually reviewing opportunities to expand further, by internal growth and strategic acquisitions, the fast growing entertainment and optical divisions, and say they look to the future with optimism.

In July 1984 the group moved *into the entertainment business* with the acquisition of Palan Entertainment Corporation, which acquires and distributes media rights primarily for cinema, video and television. Since then, it has expanded its optical side, increased its merchanting activities to provide a *more* comprehensive product range and service to the offshore oil industry, engineering and farming, and expanded its protective clothing and leisure wear.

In the current half year it has completed the acquisition of Mobile Merchandising. *Its major business is the sale of pop T-*shirts through retail outlets and at concerts, but it also prints T-shirts and other items of clothing.

For the year 1984-85 the group *has lifted its* turnover from £6.36m to £9.9m and its pre-tax profit from £198,000 to £874,000. With the £3m rights issue in June, the directors forecast *pre-tax profits of not less than* £850,000 and a final dividend of 0.7p on the old capital, which they are paying to give a total of 1.05p. They also propose a 1-for-1 scrip issue.

Palan has contributed the *major part* of profits and the *momentum from this area of* activities will increase during the current year.

Reconstruction of the optical divisions administrative function has enabled a major expansion to take *place* and *as* a result *profit recovered strongly* in the second half.

With regard to Henlys Optical Group, acquired in April 1983, additional consideration of up to a *maximum £400,000 may* become payable, either in shares or cash.

● comment

Prestwich Holdings appears to have caught on to a winner *with its £6.99 pre-recorded video* tapes. Although there are only 50 titles out at present, another 100 could be gracing the shelves of Woolworth and others by the *middle of 1986*. The idea is simple enough — sell pre-recorded programmes and *films available at low royalty* levels (especially from the BBC) at a price only a few pounds above the blank cassette price. And if you get fed up with "The Quiet Man" or "Mr T," then you can use the tapes to record *other things. Meanwhile* the optical side *is showing* more liveliness as the conservatism of the country's 17m wearers of glasses breaks down and a more fashion-conscious market opens up. *This makes sense of* the plans *to develop* instore glasses boutiques, not offering full optician services but selling specs as an accessory. With 2m video cassette sales possible *this year (and about* a £1 gross *margin on each)* the analysts are forecasting £1.8m pre-tax profits. At 196p up 14p, the shares still seem to have a good upside *potential on a prospective p/e* of 9.5.

Renwick jumps to £1.7m halfway

MOST OF the half year *improvement* at Renwick *Group*, Devon-based *boatbuilder* and *international coal trader*, is attributed *to* its Marine Projects subsidiary, where sales increased and further significant growth is expected.

Renwick, which has Kangra Holdings of South Africa as its *ultimate holding company*, has *lifted pre-tax* profits from £243,000 to £1.69m in the six months to June 29 1985.

Turnover increased by £1m to £21.35m, and Mr G. J. Beck, *chairman, says* that after eliminating results of businesses sold in the previous half year, sales show a 14 per cent rise and the pre-tax figure a 300 per cent increase. In the full 1984 year the group achieved a pre-tax result of £951,000 on turnover of £38.35m.

Marine Projects, which makes the "Princess" motor cruiser range, and "Moody" and "Sigma" ranges of sailing yachts, has recently strengthened its order book, but the chairman says that profitability *is still being restricted by unacceptably low gross margins on* all products.

Although turnover at Renwicks Coal Trading, its international coal trading *side*, has *continued at a similar level* to the previous year, its contribution to group profits has improved significantly, Mr Beck states.

After an increased tax charge, *from £48,000 to £666,000*, net profits for the half year emerge £827,000 ahead at £1.02m, for earnings per share of 9.2p (1.7p).

Last time there was an extraordinary credit of £190,000 *representing the profit* on the sale of outstanding travel interests.

Again there is no dividend. The last payment was 2p in 1980.

British Assets earnings near £7m

British Assets Trust has in*creased full year available earn*ings from £6m to £6.93m and is raising the final dividend by 0.2p to 1.9p, making a higher total of 7.1p against 6p. A three-for-one *scrip is proposed.*

The final dividend, the directors *say, means* that, barring any unforeseen circumstances, dividend payments for 1986 will total at least 7.6p.

During the year to end-September 1985, good dividend *increases were received from investments*, particularly in the UK. Overseas dividends and income benefited from currency hedging and underwriting income also increased.

Net asset value rose by 12.6 *per cent to 255.36p per share* while earnings per share were 7.22p (6.24p).

The high proportion of assets in the financial and consumer *sectors of the market, together with currency protection*, contributed to this growth.

At the year-end 55 per cent of assets were invested in the UK and 43 per cent in North America. *However, a continuing programme of currency hedging* meant that only 19 per cent of assets were exposed to the U.S. dollar. A small position has been taken in Hong Kong, repre*senting 2 per cent of assets.*

Record sales for Lloyd's Life

Lloyd's Life Assurance, part *of the Royal Insurance Group*, has announced record sales for the year to September 30, 1985 in its main UK operations and god growth for its Isle of Man *offshire subsidiary.*

New annual premiums rose by nearly 30 per cent from £10.69m to £13.66m. The 94 per cent rise in *indivdual pension premiums to £6.4m* more than offset static sales on life business. However, the company reports a 40 per cent growth *in new annual* premiums in the second half (after the 1985 Budget)

Single premium business in the UK rose 6.1 per cent from *£45.5m to £48.3m. A 14 per cent* increase in sales of linked investment bonds more than offset the company's decision not to market guaranteed income *bonds during the year.*

The regular premium business of the Isle of Man offshore operation rose more than 150 per cent *from* £1.33m to £3.38m, showing that the company has resumed a growth trend following the problems with the Inland Revenue in the previous year. *A new range of plans* has been well received by intermediaries.

However, single-premium sales from the offshore operation *declined by more than a fifth* from £24.2m to £19m. The market has moved to offshore unit trusts which the subsidiary does not deal in.

Asset value of Viking Resources falls

Viking Resources Trust *had a net asset value of 92.98p per* share at end-September 1985, against 116p a year earlier, and 111.4p at end-March 1985.

Net revenue, after tax of £318,000 (£135,000), emerged ahead from *£240,000* to *£565,000 for stated* earnings per share of 1.41p (0.6p).

The directors of this trust, which invests in companies involved in the exploration and *development of natural resources, particularly* oil and gas, say the interim results should not be taken as an indication for the full year. The interim dividend is increased to *0.55p (0.5p).* A *total of* 1.15p was paid for the year to March 31.

Directors say conditions in the oil and gas industry have continued to deteriorate in the period under review, with pressure on prices and financial *restraints combining* to restrict *exploration* expenditure across the industry.

While the approach of winter is helping to increase spot oil prices, *it is not yet clear how the supply/demand picture* will look next spring, particularly in view of Saudi Arabia's decision to raise its oil exports.

Usher-Walker decrease

A continuation of a narrowing of margins has hit the first half 1985 profits of Usher-Walker, maker of printing inks and rollers. From turnover up *£317,000 to £5.43m*, the profit before tax has fallen by £68,000 to £346,000.

The narrowing of margins was a carry over from the second half of 1984, the directors say, *and was the result of* substantial increases in raw materials.

Market conditions remain generally difficult but the company has obtained price rises *in some important sectors of the* business. This *should* assist in restoring margins in the second half. Profits for the whole of 1984 were reported at £784,000.

The first half 1984 profit comparison has been restated *from* the published £430,000 to £414,000 to incorporate an appropriate proportion of the annual allocation to the employees share *scheme.*

After tax £169,000 (£196,000) the 1985 first half net profit came to £177,000 (£218,000) for earnings of 8.24p (10.16p). The in*terim dividend is lifted to* 2.2p (2p).

Intl City buys H D Finance

International City Holdings (ICH) the parent company of moneybroker, Charles Fulton, has acquired HD Finance Group and its subsidiary National Leasing and Finance Company *(NLF) for* an undisclosed combination of shares and cash.

ICH—which is seeking a full stock exchange quotation on Wednesday—will now control a joint money broking and leasing company with combined pre-tax profits of about £11.4m.

NLF arranged about £400m of assets financing in its year ended July 31 and made after-tax profits of over £2m.

Low & Bonar ahead in North America

Bonar, the 75 per cent-owned North American subsidary of Low & Bonar, international packaging, *textiles and electronics group*, has increased pre-tax income for the nine months to August 31 1985 from C$5.31m (£2.73m) to C$7.4m.

Net sales rose to C$103.4m against C$92.87m. Sales for the third quarter were 7 per cent up on 1984, *but the operating profit for the quarter was* slightly down. Mr Roland Jarvis, chief executive, said the decrease was in the company's packaging operations and was due principally to non-recurring *costs associated* with planned expansion and competitive pressures on certain paper products.

In line with the current corporate strategy of the parent group, Bonar is incurring significant capital *expenditure* to improve and increase roductve caacity to support future growth objectives.

A quarterly dividend of 11.5 cents *(10 cents) has* been declared payable on October 31. Earnings per share were stated at C$1.11 (C$1).

Sunleigh Electronics shares suspended

Share dealings in Sunleigh Electronics, the USM quoted maker and distributor of optical equipment, were suspended yesterday at the company's own request pending a further announcement.

Last month, Sunleigh reported disappointing figures for the first six months of 1985. Pre-tax profits fell from £113,000 to £94,000, and *earnings* slipped *from 0.29p to* 0.25p. The shares were suspended at 8p, and so far this year have not risen above the 10p par value.

Richardsons Westgarth cuts halftime losses

FOR THE six months ended June 30 1985 Richardsons Westgarth has reduced its loss substantially, and for the last two quarters has been in profit.

The group's principal activities are engineering and stock*holding*. In the *half year its* turnover amounted to £8.87m, compared with £11.12m, and the pre-tax loss of £706,000 was reduced to £35,000.

In the second quarter the group produced a pre-tax profit of £28,000, and management accounts for three months to the end of September showed continued profitable operation.

The group has been in heavy losses throughout the past four years and embarked on a pro*gramme of restructuring*. There is an extraordinary debit of £325.00 in the half year accounts which represents the loss on disposal of Eric C. Flower, plumbing contractors.

In the period the group moved into a *trading profit of £123,000*, from a loss of £471,000. But interest charges outstripped this, being £158,000 (£235,000). The loss per share is 0.3p (5.5p) and there is the extraordinary charge *(credit £221,000).*

Willaire Systems

Willaire Systems, a manufacturere of environmental control equipment, *has turned in a small £2,000 taxable profit* for the first half of 1985 compared with a £29,000 loss last time.

Turnover was up from £1.11m to £1.22m, generating a trading profit of £25,000 against a £9,000 loss.

Strengthening of management resources, particularly in marketing, is beginning to show results and progress already made is expected to be maintained, the directors state.

Willaire is quoted on the Unlisted Securities Market.

Smurfit Corp profits down 47%

The strong dollar has been blamed for a fall in sales and profits by Jefferson Smurfit Corporation, the 79 per cent-owned U.S. subsidiary of the Dublin-based Jefferson Smurfit Group. In the third quarter ended September pre-tax income fell by 47 per cent from $12.23m (£8.57m) to $6.5m on sales down from $169.1m to $155.63m.

That left turnover for the nine months at $479.57m ($507.33m) with pre-tax income of $22.51m *($31.89m).* With tax of $9.23m ($14.52m), the income per share for the first nine months is stated at $1.38, against a comparable $1.81.

LADBROKE INDEX
1,043-1,047 (−7)
Based on FT Index
Tel: 01-427 4411

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based *mainly on last year's timetable.*

TODAY

Interims: Capital and Counties, *Clement Clarke*, Derwent Valley, El Oro Mining and Exploration, English and International Trust, Exploration *Company*, *Glenfield Lawrence*, Globe Investment Trust, Henderson Group, Marks and Spencer, OK Bazaars (1929).

Finals: British Car Auction, Frogmore *Estates, GBC Capital*, New Australia Investment Trust.

FUTURE DATES

Interims—

Brent Walker	Oct 30
Buckley's Brewery	Nov 7
Goldberg (A.)	Nov 13
Graig Shipping	Nov 6
Grampian Television	Nov 7
Habitat Mothercare	Dec 5
Heath (C. E.)	Nov 19
TR Property Invest. Trust	Nov 27
Tysons (Contractors)	Nov 4
Finals—	
Hepworth (J.)	Nov 5
Tay Homes	Nov 5

BASE LENDING RATES

ABN Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co ...	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co Ltd ...	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co .	12½%
BCCI	11½%	Meghraj & Sons Ltd ...	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd	11½%
Bank of Scotland	11½%	National Bk of Kuwait	11½%
Banque Belge Ltd	11½%	National Giro Bank ...	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd ...	12½%	Northern Bank Ltd ...	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust ...	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland ...	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent ...	11½%	Provincial Trust Ltd ...	12½%
Cayzer Ltd	11½%	R. Raphael & Sons ...	11½%
Cedar Holdings	12 %	Roxburghe Guarantee .	12 %
■ Charterhouse Japhet...	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co Canada	11½%
Citibank NA	11½%	Standard Chartered ...	‖11½%
Citibank Savings	¶12½%	TCB	11½%
City Merchants Bank...	11½%	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co Ltd .	12 %	United Mizrahi Bank...	11½%
Comm. Bk. N. East ...	11½%	Westpac Banking Corp.	11½%
Consolidated Credits ...	11½%	Whiteway Laidlaw ...	12 %
Continental Trust Ltd .	11½%	Yorkshire Bank	11½%
Co-operative Bank	*11½%		
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp. ...	12½%		
First Nat. Sec. Ltd	12½%		
■ Robert Fleming & Co .	11½%		
Robert Fraser & Ptrs .	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.

IMPORTANT. If you are in any doubt about this prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

A copy of this prospectus, which comprises listing particulars with regard to China & Eastern Investment Company Limited (the "Company") in accordance with The Stock Exchange (Listing) Regulations 1984, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with those regulations. A copy of this prospectus, the written consent referred to in paragraph 13(b) of Part VII and copies of the material contracts referred to in paragraph 9 of Part VII, have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 38D of the Hong Kong Companies Ordinance. The Registrar of Companies in Hong Kong takes no responsibility as to the contents of these documents.

Application has been made to the Council of The Stock Exchange, London for admission to the Official List of the Ordinary Shares and Warrants of the Company issued and now being issued through this Offer for Subscription (the "Offer"). The directors of the Company (the "Directors"), whose names appear below, are the persons responsible for the information contained in this prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The Application List for the Ordinary Shares (with Warrants) now being offered for subscription will open at 10.00 hours (London time) on Friday, 1st November, 1985 and will close not later than the close of business on that day. The procedure for application and an Application Form are set out at the end of this prospectus.

China & Eastern Investment Company Limited

(Incorporated in and under the laws of Hong Kong with limited liability)

OFFER FOR SUBSCRIPTION

by

Baring Brothers &Co., Limited

of 17,000,000 Ordinary Shares of US50 cents each (with 3,400,000 Warrants) at US$1 per Ordinary Share or, at the option of each applicant, 71p per Ordinary Share, payable in full on application.

Timetable

Latest time for receipt of applications	10.00 hours (London time) Friday, 1st November, 1985
Expected date for posting of Share and Warrant certificates	Monday, 11th November, 1985
Expected date of commencement of separate dealings in the Ordinary Shares and Warrants	Tuesday, 12th November, 1985

The distribution of this prospectus and/or the offering of Ordinary Shares and/or Warrants may be restricted in certain jurisdictions; persons into whose possession this prospectus comes are required by the Company to inform themselves of and to observe any such restrictions. In particular this prospectus may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

Neither the Ordinary Shares nor the Warrants are being registered under the United States Securities Act of 1933. Accordingly, they may not at any time, directly or indirectly, be offered, sold or delivered in the United States (which expression means the United States of America, its territories, possessions and any areas subject to its jurisdiction), or to or for the benefit of any person who is a national or citizen or a resident or normally a resident thereof, including the estate of any such person, or to any corporation, partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof. In order to give effect to these restrictions, every applicant for Ordinary Shares (with Warrants) will be required to make the declaration in the form contained in the Application Form.

Potential subscribers should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the subscription, holding and disposal of Ordinary Shares and/or Warrants and/or the exercise of Warrants.

Any information given or representation made by any dealer, salesman or other person and not contained herein should be regarded as unauthorised and should accordingly not be relied upon. Neither the delivery of this prospectus nor the offer, issue or sale of Ordinary Shares or Warrants shall, under any circumstances, constitute a representation that the information given in this prospectus is correct as of any time subsequent to the date hereof. This prospectus is issued solely for the purpose of the present Offer for Subscription.

Neither this prospectus nor any other offering material relating to the Ordinary Shares and the Warrants may be issued or distributed in Hong Kong.

References in this prospectus to US$, US dollars and cents are to the lawful currency of the United States of America.

Statistical Information

Unless stated otherwise, the statistics on China, Japan and Hong Kong in this prospectus are derived from published sources. Potential investors should be aware that the collation of statistics, although quoted or extrapolated in good faith, is always difficult, particularly in a country the size of China, and it is likely that at least in some cases such statistics may be inaccurate to a material degree. Nevertheless, the Directors consider the inclusion of (or of information based on) the published statistics concerned is more likely to be helpful than misleading to the potential investor.

The Offer for Subscription has been fully underwritten by Baring Brothers & Co., Limited ("Barings"). The Directors are aware of intended applications for a total of 17,000,000 Ordinary Shares (with Warrants). Such applications, if received, will be accepted in respect of not less than 12,750,000 Ordinary Shares (with Warrants), constituting 75 per cent. of the Ordinary Shares (with Warrants) being offered for subscription. Consequently, applications from the public are likely to be accepted in respect of not more than 4,250,000 Ordinary Shares (with Warrants), constituting 25 per cent. of the Ordinary Shares (with Warrants) being offered for subscription.

Share Capital

Authorised US$		Issued and now being issued US$
11,500,000	in Ordinary Shares of US50 cents each	8,500,000

The Ordinary Shares now being offered for subscription rank in full for all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the Company. Successful applicants for the Ordinary Shares now being offered will receive Warrants, on the basis of one Warrant for every five Ordinary Shares, each carrying the right, exercisable between 1st October, 1988 and 30th September, 1991 inclusive, to subscribe for one Ordinary Share at US$1 per share.

Indebtedness

The Company has no loan capital (including term loans) outstanding, or created but unissued, nor any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits or other similar indebtedness, nor any hire purchase commitments or guarantees or other material contingent liabilities.

Directors, Officers and Advisers

Directors	JOHN DERRICK BOLSOVER (British) *(Chairman)* 9 Bishopsgate, London EC2N 3AQ, England JONATHAN LAWRENCE COMPTON (British) 1901 Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong NIGEL EDWARD MELVILLE (British) 1605, One Exchange Square, Hong Kong KIMISATO NAGAMINE (Japanese) 11-A-1 Imperial Tower, 1-1 Uchisiwai-cho 1-chome Chiyoda-ku, Tokyo 100, Japan EDWARD REMINGTON-HOBBS (British) 9 Bishopsgate, London EC2N 3AQ, England DAVID GEORGE PETER SCHOLFIELD (British) 1901 Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong JONATHAN JEREMY KIRWAN TAYLOR (British) 9 Bishopsgate, London EC2N 3AQ, England JAMES PIRAN WILLIAMS (British) 9 Bishopsgate, London EC2N 3AQ, England
Advisory Council	CHRISTOPHER CHENG (Hong Kong) HIDEO HOZUMI (Japanese) VINCENT LO (Hong Kong) ROBERT LYLE (British) MI GUO JUN (Chinese) STEPHEN TSUNG (Hong Kong) ZHANG FANG MING (Chinese)
Secretary and Registered Office	DAVID GEORGE PETER SCHOLFIELD Wing On Centre, 26th Floor, 111 Connaught Road Central, Hong Kong
Investment Manager	Baring International Fund Managers Limited ("BIFM"), 1901 Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Issuing House	Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE, England
Stockbrokers	James Capel & Co., Winchester House, 100 Old Broad Street, London EC2N 1BQ, England
Solicitors to the Company and to the Issue	Slaughter and May, 35 Basinghall Street, London EC2V 5DB, England *and* 27th Floor, Two Exchange Square, Hong Kong
Auditors and Reporting Accountants	Deloitte Haskins & Sells, *(Certified Public Accountants)* Wing On Centre, 26th Floor, 111 Connaught Road Central, Hong Kong
Bankers	Bank of East Asia Limited, 10 Des Veux Road Central, Hong Kong *Baring Brothers* Asia *Limited,* 1605, One Exchange Square, Hong Kong The Hongkong and Shanghai Banking Corporation, 1 Queen's Road Central, Hong Kong
Receiving Bankers	Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE, England
Share and Warrant Registrar	Central Registration Hong Kong Limited, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
London Transfer Agent	Ravensbourne Registration Services Ltd., Bourne House, 34 Beckenham Road, Beckenham BR3 4TU, England

I. Policy and Markets

Introduction

The principal purpose of the Company is long term capital appreciation primarily through investment in companies with direct business involvement in the People's Republic of China ("China"). One of the longer term objectives of the Company is to establish substantial direct investment there. The uncertainties inherent in the present system of direct investment in China, particularly as to the regulations on corporate ownership, repatriation of profits, accounting practices and legal structure, could delay or even frustrate the achievement of this objective. Nevertheless, the Directors believe that, based on the growth since 1979 of foreign trade with China and investments in China, both of which have been actively supported by the Chinese authorities, opportunities will continue to arise and the prospects for investment and trade will expand. It should be noted, however, that there is currently no stock exchange in China.

Japan and Hong Kong have developed significant economic and trading ties with China. Their principal stock markets list a wide range of quoted companies engaged in China-related activities. The financial statements of a number of Japanese companies reveal that such activities account for over 5 per cent. of their consolidated sales. The Directors consider this percentage to be relatively high given the short period during which the growth in foreign trade with China and investment in that country has been officially encouraged by the Chinese authorities.

The Directors consider it prudent initially to invest the large majority of the Company's gross assets in companies whose shares are quoted on the Tokyo or Hong Kong stock exchanges and which are engaged in China-related activities. The Company therefore will be able to maintain both flexibility and a high level of relatively liquid investment, whilst at the same time avoiding undue political risk. Investment in companies in these two markets will be aimed at deriving maximum benefit from the prime position of *Japan and Hong Kong in the opening up of China to foreign trade and investment.*

The net proceeds of the issue are estimated to be approximately US$16.14 million, which will be applied in accordance with the Company's investment policy.

Investment Policy

In keeping with the investment objectives set out above, the Company's intention is that approximately 75 per cent. of its gross assets will initially be invested in quoted Japanese and, to a lesser extent, Hong Kong companies which are believed by the Company or the Investment Manager to have continuing business activities in or with China or to have a reasonable prospect of developing such activities within three years from the making of the investment. In many cases, however, these activities will not account for more than 5 per cent. of the consolidated sales of the companies concerned and may represent an even smaller proportion.

It is also envisaged that a modest proportion of the gross assets, probably not exceeding 10 per cent. by book value, will be invested in companies quoted elsewhere, particularly in the United States, the United Kingdom and Singapore, so long as they too are believed to meet the criteria set out above.

With a view to initiating the longer term direct investment objective of the Company referred to above, it is envisaged that initially some 15 per cent. of the Company's gross assets will be allocated for direct investment in China. It is not expected that the initial amount will be invested quickly, or even that a substantial part of it will necessarily be invested in the first year, as a cautious approach will be adopted. These investments are likely to take a number of forms: they may, for example, be made directly in individual projects or in unquoted joint venture companies formed outside China for the purpose of such *direct investment. They will generally be sponsored by local* or provincial authorities, will normally involve significant management participation by foreign nationals, including overseas Chinese, and may comprise both development capital and participations in established operations. In view of the illiquidity of such investments and the present uncertainty of the regulatory environment within China, the amount of investment in any one project or company will be relatively small (generally not exceeding the greater of US$0.5 million and two per cent. of the Company's gross assets) and the spread of investments will be wide.

Depending on the success of these initial direct investments and the continuing availability of suitable opportunities, the Directors intend that in the longer term the percentage of the Company's gross assets directly invested in China will be gradually increased. The present target is of the order of 30 per cent. of the Company's gross assets within five years. The five areas in which the Company intends to concentrate its direct investment activities are power and power generation, technology, tourism and leisure, construction and light manufacturing industry.

It is the policy of the Directors that the Company will not take legal or management control of any of the companies or projects in which it invests and that it will not normally acquire more than 15 per cent. of the equity of any one company or project. Not more than 7.5 per cent. of the Company's gross assets will be put into any one investment (taking account of any existing holding), thereby maintaining a reasonable spread of investments. The policies described in this paragraph will be adhered to for a minimum of three years following listing of the Ordinary Shares.

China & Eastern Investment Company Limited

2

Borrowings and Cash Resources

The Directors have the power to borrow amounts up to 25 per cent. of the Adjusted Capital and Reserves (as defined in the Company's Articles of Association). The Directors will also have the power to charge the Company's assets as security for any such borrowings.

The aim of the Company is to achieve long term capital appreciation in US dollars. It is intended, when considered prudent or necessary, that the risk of depreciation in US dollar terms of investments denominated in other currencies may in part be hedged through the currency futures or options markets. However, the Directors do not intend that the level of hedging at any one time will exceed 35 per cent. of the US dollar book value of the quoted investments of the Company.

While the policy of the Directors is that the assets of the Company should be kept invested in accordance with the investment policy described above, cash reserves may be held from time to time to take advantage of investment opportunities as they arise. In addition, general market conditions, particularly in Japan or Hong Kong, which may be unrelated to factors specifically affecting China, could make it advisable for the Company to maintain significant liquidity in the form of cash or short-term investments pending re-investment.

Dividend Policy

The Directors intend that substantially all the net revenue surplus will be distributed. Given the low yields available from the range of securities, particularly in Japan, in which the Company intends to invest and the likely lack of dividend from the direct China investments in the early years, such net revenue surplus (if any) is likely to be small. With a view to providing a surplus for distribution each year, the Directors intend to establish a wholly-owned dealing subsidiary.

China

History 1949-78

The People's Republic of China was founded on 1st October, 1949, following a prolonged period of civil war and conflict with Japan, which had occupied much of the country between 1931 and 1945. The Communist Government inherited a country with virtually no heavy industry, a weak infrastructure and a substantially devalued currency. Much large plant and machinery had either been removed by the Russians in the North or destroyed by the defeated Nationalists in the South.

The State rapidly took over almost all sectors of the economy, notably agriculture, land, distribution and manufacturing. A series of Five-Year Plans was inaugurated, the first commencing in 1953, since when average real economic growth has exceeded 6.2 per cent. per annum. However, the population has grown rapidly, from 542 million in 1949 to 1,036 million by the end of 1984, eroding much of the benefit of these gains and leading to stringent family planning controls in the late 1970's. Considerable wastage occurred through the misdirection of investment and the setting of unrealistic targets. Throughout most of the period from 1949 to 1978, foreigners (other than from the Soviet bloc) were largely debarred from economic activity within China and the level of technology remained relatively low. However, the government did enjoy success in three areas - the maintenance of a low inflation rate, a more equitable distribution of land and food and an improvement in health conditions.

Liberalisation and Reform

By the early 1970s it became apparent that the economy was faltering. The Cultural Revolution seriously disrupted all aspects of economic and political life, particularly between 1966 and 1968, whilst the period between 1974 and 1976, under a radical left wing clique dubbed the "Gang of Four", resulted in further dislocation.

By 1978 political opinion had consolidated around three principal tenets - the need to modernise the economy, to dismantle excessive bureaucratic controls and to make greater use of market forces to stimulate production. There was also a widespread desire not to repeat the mistakes of the Cultural Revolution. This school of opinion, led by Deng Xiao Ping, has been the basis of economic policy to the present day.

The pace of change arising from these reforms has accelerated in the last few years. The first joint ventures with foreigners commenced in 1979 and have rapidly grown by number and value. Four Special Economic Zones were established in 1980 aimed at attracting foreign investment, whilst in 1984 14 coastal cities were established as special areas for foreign investment and trading. In view of the overheating of the economy discussed in Part VI, foreign investment in 10 of these has been temporarily curtailed and it is still too early to judge the success of the other four. Between 1978 and 1982 real economic growth averaged 5.8 per cent. per annum compared with 4.4 per cent. per annum in the period 1957 to 1978.

At the Chinese Communist Party conference held in September, 1985, the outline economic plan for the years 1986 to 1990 was approved. The plan, which is still subject to final adjustment, indicated that, despite opposition from some quarters within the party, China is continuing to develop reforms directed at further decentralisation of the governmental planning process and the opening up of some sectors of the economy to competitive market forces. However, the plan and various speeches made by senior officials including Premier Zhao Ziyang suggest that in 1986 and 1987 governmental spending will not be increased over the 1985 level and that emphasis will be given to balancing imports by exports and concentrating foreign investment and technology in export related industries. The plan sets an annual growth target for 1986-90 of 7 per cent.

Further detailed information on China is set out in Part VI.

Why China?

It is the Directors' belief that the opening up of China to foreign trade and investment is not a temporary phenomenon. It is a central feature of the government's programme and has already created and continues to give rise to conditions and expectations which, in the light of published statements by senior officials, the Directors consider that the Chinese government would not wish to reverse or disappoint. Moreover, the cooperation which China has received from overseas in implementing this policy has both accelerated its effect in the short term and encouraged China to continue and expand its scope.

From a relatively low economic base progress can be rapid, as China has illustrated, but it is unlikely to be smooth. It is recognised that the risks associated with direct investment in China are many. Nevertheless, it is the Directors' conviction that, if the current political and economic policies are adhered to, China, which until recently was a minor economic power outside mainstream developments within the Far East, will in time assume a role more proportionate both to its geographical size and position, and to its population and natural resource base.

Japan and China

To compensate for a slowdown in world economic growth in the early 1980's and the emergence of protectionist sentiment in North America and Europe, Japanese companies have successfully sought new markets and increased their competitiveness. This is reflected in the recent marked recovery of exports, which during the years 1980 to 1984 grew at an average of 10.2 per cent. per annum (in yen terms), and in the consequent transformation of an annual deficit on balance of payments current account of US$10.75 billion at the beginning of the period into a surplus of US$35.03 billion at the end. The rate of inflation was reduced over the period from 8.0 per cent. to 2.2 per cent. (after a low of 1.9 per cent. in 1983), whilst an average annual real growth rate of 4.3 per cent. per annum over the period was achieved (compared with an average of 1.9 per cent. per annum in the member nations of the Organisation for Economic Cooperation and Development). This growth rate has been mirrored by a steady upward trend in the leading Japanese stock market indices over the last 10 years.

Trade between Japan and China has increased, rising fourfold in the last decade, and in 1984 Japan accounted for 26 per cent. of total Chinese foreign trade (in US dollar terms). Many Japanese companies now regard China as a major market with great potential for the future. Whilst Japan's imports from China are predominantly mineral products, it is in textile products that the main expansion has occurred. The interdependence of the two countries is growing, with Japanese imports from China rising from 2.6 per cent. of total Japanese imports in 1978 to 4.4 per cent. in 1984. For statistical information on the Japanese economy and stock market performance see Part VI.

CHINA'S TRADE WITH JAPAN

YEAR	CHINA'S IMPORTS US $m	CHINA'S EXPORTS US $m
1972	609	491
1973	1,039	974
1974	1,984	1,305
1975	2,259	1,531
1976	1,663	1,371
1977	1,939	1,547
1978	3,049	2,030
1979	3,699	2,955
1980	5,078	4,323
1981	5,095	5,292
1982	3,511	5,352
1983	4,912	5,087
1984	7,217	5,958

Source: Ministry of Finance of Japan

Hong Kong and China

In 1984 Hong Kong had one of the highest economic growth rates in the world, with a real increase over 1983 in Gross Domestic Product of 9.6 per cent. to a total of US$31.92 billion. This was achieved after two years in which growth rates were constrained by the global recession, especially the downturn in trade, and by the uncertainty about the future of Hong Kong, and is above the average annual growth rate of 8.8 per cent. achieved in the 10 years to 1984. In his recent review of Hong Kong's economic performance for the first half of this year, Hong Kong's Financial Secretary revised downwards his growth forecast for 1985 to 4½-5 per cent. in real terms. The overall success of the Hong Kong economy is widely attributed to limited intervention by the government and the relatively free market that exists, with manufacturers having the flexibility to shift production to meet demand.

The Hang Seng Index has recorded a compound growth rate of 18 per cent. per annum in the 10 years to 31st August, 1985, although the Hong Kong stock market has historically been one of the most volatile in the world. This volatility has been exacerbated by relatively loose controls over the banking system, especially in bank lending, as well as the erratic performance in the early 1980's of the Hong Kong dollar against the US dollar (itself partly a reaction to political uncertainty). However, in October, 1983, the value of the Hong Kong dollar was officially linked at HK$7.80 to the US dollar, since when the exchange rate against the US dollar has remained stable.

Since 1949 the Chinese government has never recognised the arrangements, commencing with the Treaty of Nanjing in 1842, under which Britain acquired Hong Kong. In recent years, however, Sino-British relations have improved significantly. A conference about Hong Kong's future started in September, 1982, and after two years of negotiation a draft agreement between the governments of the United Kingdom and China on Hong Kong was published in September, 1984. Both governments ratified the "Joint Statement about the Hong Kong Issue" in May, 1985 under which China will regain sovereignty over Hong Kong on 1st July, 1997. The Joint Statement provides that the present political and economic structure will be maintained for 50 years thereafter, enshrined in the 'One Country Two Systems' policy to be practised by China. The British Government will continue to be responsible for administration until 30th June, 1997.

These political developments about the future of Hong Kong have followed the rapid growth of trading relationships between Hong Kong and China. Between 1979 and 1984 China's share of Hong Kong's overseas trade rose from 10.5 per cent. to 21.4 per cent. and by the end of 1984 China had become Hong Kong's most important trading partner in US dollar terms. The Directors believe that Hong Kong has already become the 'de facto' commercial capital of southern China and has assumed the role of China's principal entrepôt. Moreover, for most foreign corporations it is probably the most convenient and practical city to use as a base for operations in China. As a result of these factors, it is the Directors' opinion that the Hong Kong economy will become increasingly dependent upon the health of the Chinese economy for its own success and that the stock market of Hong Kong will gradually be transformed into a barometer of the Chinese economy and Chinese political stability. For statistical information and stock market performance on the Hong Kong economy see Part VI.

CHINA'S TRADE WITH HONG KONG

YEAR	CHINA'S IMPORTS HK $m	CHINA'S EXPORTS HK $m
1972	103	3,847
1973	271	5,634
1974	296	5,991
1975	165	6,805
1976	147	7,761
1977	206	8,082
1978	295	10,550
1979	1,918	15,130
1980	6,247	21,948
1981	10,968	29,510
1982	11,798	32,935
1983	18,406	42,821
1984	39,348	55,753

Source: Hong Kong Trade Statistics

Risk Factors

An investment in the Ordinary Shares or Warrants may be regarded as particularly susceptible to the following risks:—

1. In view of the relatively small percentage of consolidated sales and capital employed which the companies in which the Company is proposing to invest are likely to have in China, the risk of their share prices being affected by factors not specifically relating to China.
2. With regard to that part of the portfolio which is directly invested in China, its likely illiquidity, the currency risk as between the Yuan and the US dollar, the existing restrictions on the remittance of dividends and repatriation of capital and the risk of those restrictions being tightened (see Part VI, Section A paragraph (v)), and the general China political and economic risk, including the risk of expropriation of foreign assets.
3. The inevitable uncertainty surrounding the implementation of the provisions of the Sino-British Joint Statement on Hong Kong, the jurisdiction of incorporation and the residence of the Company.

II. Directors, Advisory Council and Management

Directors

The following are the Directors of the Company. It is intended that a representative of institutional shareholders be invited to join the Board once listing has been obtained. With the exception of Nigel Melville and Edward Remington-Hobbs all the Directors are Executive Directors of BIFM, with whom the Company has entered into an investment management agreement.

John Bolsover (Chairman), aged 38, has been the Managing Director of Baring International Investment Management Limited ("BIIM") since its establishment in 1975 in Hong Kong, where he lived from 1971 until September, 1985. He is now Chief Executive of the BIIM group, based in London, and continues to specialise in Japanese and Asian stock markets.

Jonathan Compton, aged 32, joined BIIM in Hong Kong in 1981, having specialised in international investment, with particular emphasis on Hong Kong, China and South East Asia, since 1976. He is responsible for all the Company's direct and indirect investment in Hong Kong and for monitoring developments in China.

Nigel Melville, aged 40, is a director of Barings and Managing Director of Baring Brothers Asia Limited. He has been in Hong Kong since 1983 and was previously based in Singapore for five years. He joined Barings in 1974 and has specialised in corporate finance.

Kimisato Nagamine, aged 42, is the Managing Director of BIIM in Tokyo. He worked with Nomura Securities Co., Limited for 16 years until 1981, the last four of which he spent in Hong Kong, before joining BIIM. In 1982 he established BIIM's Tokyo office. His specialist area continues to be Japanese stock market investment.

Edward Remington-Hobbs, aged 30, worked for James Capel & Co. until joining BIIM in London in 1982. Early in 1986 he will be moving to BIIM's Tokyo office where part of his brief will be to concentrate on developments between Japan and China.

David Scholfield, aged 41, is the Managing Director of BIIM's Hong Kong subsidiary, and is responsible for administration. He joined BIIM in 1982 after 20 years in The Royal Scots Dragoon Guards.

Jonathan Taylor, aged 42, was closely involved whilst in Hong Kong in the setting up of BIIM in 1975, and has been a director of BIIM since 1976. He returned to England in 1978 to establish BIIM's London office, of which he is Managing Director. He worked for Barings between 1969 and 1975.

James Williams, aged 35, was one of the original directors of BIIM when it was formed in 1975. He worked in Hong Kong from 1975 until 1981, specialising in Japanese and Asian stock market investments. Since 1981 he has been based in the BIIM office in London managing investments in Asia.

The present Directors have indicated that, in view of the management fee to be payable to BIFM (see paragraph 9(b) of Part VII), they intend that the Company will pay them no fees.

Advisory Council

The Advisory Council is established by the Company's Articles of Association and its members appointed and removed by the Directors. The Directors will consult the Advisory Council formally twice a year or more frequently where appropriate on relevant aspects of the Company's affairs, and, in particular, will submit to the Advisory Council plans for the implementation of the investment policies of the Company.

The members of the Advisory Council are not Directors of the Company and have no executive authority. They will receive fees or annual retainers as determined by the Directors (and fixed at US$4,000 each for the first year) and expenses in respect of their services.

The following have agreed to serve on the Advisory Council:—

Christopher Cheng, Managing Director of Wing Tai Group of companies, has, for the last 10 years, been a member actively involved in many of the Hong Kong Government's advisory boards relating to trade and industry. He has also acted as an adviser to the Hong Kong Government's international trade negotiations.

Hideo Hozumi is based in Japan. For 26 years he worked for Matsushita Electric Industrial ("MEI"). He is now a technical adviser to, *inter alia*, MEI and Matsushita Technology Research.

Vincent Lo is the Managing Director of the Hong Kong quoted Shui On Group Limited, a construction and investment company operating in Hong Kong and China.

Robert Lyle is a director and co-founder of Berry Palmer & Lyle Limited, a company specialising in the management and insurance of financial risk in international investment and trading projects, and managing director of its subsidiary, BPL (China) Limited.

Mi Guo Jun is the Managing Director of China International Trust and Investment Corporation (Hong Kong) prior to which he worked at the Chinese Embassy in Japan and was a member of the Permanent Chinese Delegation to the United Nations.

Stephen Tsung was born in Shanghai and has lived in Hong Kong for 16 years. He is now a director of Oilmet Resources N.L., a quoted Australian company engaged in trading and project investment in China, prior to which he worked for ANZ Finance (Far East) Limited as Chief Manager with responsibilities including that of "Country Head" for China.

Zhang Fang Ming is an Assistant Manager of the China International Trust and Investment Corporation (Hong Kong), the principal overseas and investment corporation of China, and is a deputy director at the Ministry of Foreign Trade.

Investment Management

The Directors will be responsible for the determination of the Company's investment policy and will have overall control of the Company's activities. The Company has appointed BIFM as investment manager to manage the Company's portfolio on a day-to-day basis and to be responsible for specific investment decisions.

BIFM is a wholly-owned subsidiary of BIIM. BIFM was incorporated in Hong Kong in 1976 as Henderson BSM Management Limited and subsequently changed its name to Henderson Baring Fund Managers Limited. On 22nd January, 1985 its name was changed to Baring International Fund Managers Limited in consequence of Barings acquiring the full ownership of BIIM, and thus indirectly of BIFM, by its purchase of the shares in BIIM previously held by Henderson Administration Group plc.

On 17th September, 1985 BIIM moved its head office from Hong Kong to London. BIFM however remains managed and controlled in Hong Kong. The BIIM group has offices in Hong Kong (established in 1975), Tokyo (established in 1982) and Boston (established in 1982).

BIIM group employs 15 investment managers, 12 of whom specialise in the Far Eastern stock markets. The group's total staff is 98 of whom 55 are employed in Hong Kong and five are employed in Tokyo. BIIM's policy is to limit the number of portfolios managed by each manager in order to provide a more effective service, and the average client to manager ratio is approximately 5:1.

On 19th September, 1985 the BIIM group managed or advised 55 accounts with total assets of over US$1,500 million, comprising 28 portfolios for pension funds, nine offshore and co-mingled funds, six United Kingdom authorised unit trusts, seven Japanese funds, one investment trust and four governmental, individual and bank funds.

Management Fee

BIFM will receive the equivalent of an annual fee of 1¼ per cent. of the value of the Company's net assets, determined and payable quarterly in arrears and will not receive any other remuneration from the management of the Company's assets. The terms of the BIFM management agreement are summarised in Part VII paragraph 9(b).

III. Ordinary Shares and Warrants

It is proposed that the Company should raise the sum of US$17,000,000 (before the expenses of the issue) by the issue of 17,000,000 Ordinary Shares of US50 cents each (with Warrants) at a subscription price of US$1 per Ordinary Share or, at the option of each applicant, 71p per Ordinary Share (including a premium of US50 cents per Ordinary Share), payable in full on application. The Ordinary Shares now being issued will rank in full for all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the Company.

Successful applicants will receive Warrants, on the basis of one Warrant for every five Ordinary Shares. Each Warrant will confer the right to subscribe for one Ordinary Share. The Warrants will be exercisable between 1st October, 1988 and 30th September, 1991 inclusive at a subscription price of US$1 per Ordinary Share. The number of Warrants (and of Ordinary Shares into which they are exercisable) and the subscription price per Ordinary Share are subject to adjustment in certain circumstances. Further details of the Warrants are set out in Part V.

IV. Taxation and Stamp Duty

Investors should consult their professional advisers on the possible tax and stamp duty consequences of buying, holding or selling Ordinary Shares or Warrants or exercising Warrants under the laws of their country of citizenship, residence or domicile.

The following summary of the position in Hong Kong and the United Kingdom is based on the law and practice currently in force and is subject to any changes therein.

Hong Kong

Since the Company will be carrying on business in Hong Kong it will be chargeable to Hong Kong profits tax (currently at the rate of 18.5 per cent.) in respect of its profits (which would not include dividends or capital gains) arising in or derived from Hong Kong and any interest received accruing to the Company. The Directors consider that, in view of the investment objectives and policies described above, the amount of profits tax for which the Company will be liable in any year is not, under current law and practice, likely to be material.

No tax will be payable in Hong Kong in respect of dividends of the Company or in respect of any capital gains arising on the sale of Ordinary Shares or Warrants, except that Hong Kong profits tax may arise in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Any person who effects a sale or purchase of Ordinary Shares or Warrants is required under Hong Kong law to execute a contract note and cause the note to be stamped. Contract notes attract stamp duty at the rate of 0.3 per cent. (i.e. 0.3 per cent. for the sale and a further 0.3 per cent. for the purchase). If, in the case of a sale or purchase of Ordinary Shares or Warrants by a person who is not resident in Hong Kong, the stamp duty on either or both of the contract notes is not paid, the transferee will be liable to pay stamp duty on the instrument of transfer in an amount equal to the unpaid duty.

United Kingdom

On the basis (as is intended) that for taxation purposes neither the central management and control nor the day-to-day management of the Company will be undertaken in the United Kingdom, the Company should not be liable to United Kingdom corporation tax on its income or gains.

Subject to their individual circumstances, shareholders resident in the United Kingdom for taxation purposes will be liable to United Kingdom income tax or corporation tax in respect of dividends and other income distributions of the Company and holders so resident of Ordinary Shares or Warrants (unless holding Ordinary Shares or Warrants as dealing stock when different rules apply) will normally be liable to United Kingdom capital gains tax or corporation tax in respect of gains arising from the sale or other disposal of Ordinary Shares or Warrants. Individual shareholders who are so resident but not domiciled in the United Kingdom may be liable to such tax only on income or gains remitted to the United Kingdom.

For the purposes of United Kingdom tax on capital gains the amount subscribed by initial subscribers for Ordinary Shares (with Warrants) will need to be apportioned. It is anticipated that under present law and practice, the ratio of five times the market value of an Ordinary Share and the market value of a Warrant on the first day Ordinary Shares and Warrants are traded (expected to be 12th November, 1985) should be accepted by the Inland Revenue as the appropriate ratio by which to apportion the Issue Price. Where Ordinary Shares (with Warrants) are applied for in US dollars, the base cost for the purposes of United Kingdom tax on capital gains will be treated as being the sterling equivalent at the spot rate prevailing on the date the application is accepted (expected to be 11th November, 1985).

The exercise of Warrants will not, under present law, constitute the disposal of an asset for the purposes of United Kingdom tax on capital gains and any base cost attributable to the Warrants exercised will be added to the base cost of the Shares so acquired. On exercise of Warrants (in US dollars), the subscription price will be translated into sterling at the spot rate prevailing at the close of business on the exercise date.

The attention of individuals ordinarily resident in the United Kingdom is drawn to Section 478 of the Income and Corporation Taxes Act 1970 (the "Taxes Act"), as amended by the Finance Act 1981, which may render them liable to income tax in respect of the proportionate part of the undistributed income of the Company attributable to their holdings of Ordinary Shares. Individuals who are so ordinarily resident but who are not domiciled in any part of the United Kingdom may only be liable to such tax in respect of income remitted to the United Kingdom.

Clearance under Section 464 of the Taxes Act (cancellation of tax advantages from certain transactions in securities) has been received from the United Kingdom Board of Inland Revenue in relation to the issue by the Company of Ordinary Shares (with Warrants) for cash and (save in the case of a sale to a company in which the vendor has a substantial interest) in relation to the subsequent sale of such Ordinary Shares and Warrants through any stock exchange on which Ordinary Shares and Warrants in the Company are listed or dealt in.

The attention of United Kingdom resident companies is drawn to the fact that the controlled foreign companies provisions contained in the Finance Act 1984 could be material to any United Kingdom resident company that holds, alone or together with certain other associated persons, 10 per cent. or more of the Ordinary Shares in the Company, if at the same time the Company is controlled by persons who are resident in the United Kingdom.

The Finance Act 1984 provides that if an investor resident or ordinarily resident in the United Kingdom for taxation purposes holds a material interest in an offshore fund, and that fund does not qualify as a 'distributing fund' throughout the period that the investor holds that interest, any gain accruing to the investor upon the sale or other disposal of that interest will be taxed as income and not as a capital gain. The Directors have taken advice as to whether the Ordinary Shares or Warrants constitute material interests in an offshore fund. They have been advised that the Warrants do not. They have also been advised that an Ordinary Share would not constitute such an interest unless, at the time of its acquisition, it could then reasonably be expected that the Ordinary Share could be realised within seven years for an amount reasonably approximate to the proportion of the market value of the assets of the Company attributable to that Ordinary Share. The Directors consider that it would not be reasonable for any person who acquires Ordinary Shares pursuant to the Offer for Subscription to expect to realise such an amount for his Ordinary Shares within that period. This conclusion is based on the Directors' understanding that the Inland Revenue's current practice is not to view a closed-end investment company as an offshore fund unless the price at which its shares are traded approximates to the market value of its assets on a regular basis. The Directors consider that it cannot reasonably be expected that, having regard to the volatility of the market, the Ordinary Shares will trade on a regular basis at a value which is reasonably approximate to the market value of the Company's assets. In these circumstances it is considered that the persons acquiring Ordinary Shares pursuant to the Offer for Subscription will not acquire material interests in an offshore fund. Accordingly, the Directors do not believe that the establishment of a wholly-owned dealing subsidiary (which would prevent the Company from qualifying as a distributing fund) is likely to be contrary to the interests of subscribers.

V. Particulars of the Warrants

The Warrants were created by a resolution of the Board of Directors of the Company passed on 25th October, 1985 and will be issued subject to and with the benefit of the following conditions:

1. Subscription Rights and Compulsory Exercise

(a) Each Warrant shall confer upon the registered holder thereof (the "holder") the right, which may be exercised at any time (and whether or not concurrently with the exercise of any other Warrant or Warrants held by him) from and including 1st October, 1988 to and including 30th September, 1991, to subscribe for one Ordinary Share at the price of US$1 (the "Subscription Price"); provided that the number of Warrants registered in the name of each holder (and accordingly the number and/or nominal value of Ordinary Shares for which such holder would subscribe on any subsequent exercise in full of such Warrants) and the Subscription Price shall be subject to adjustment as provided in paragraph 2 below (and references herein to the Subscription Price shall be construed accordingly).

Subject to sub-paragraph (g) and to paragraphs 3(f) and (g) below, after 30th September, 1991 any Warrants which have not been exercised will lapse and Warrant certificates will cease to be valid for any purpose.

References in these particulars to Ordinary Shares are to the existing Ordinary Shares of US 50 cents each and all other (if any) Ordinary Shares from time to time and for the time being ranking *pari passu* therewith.

(b) In order to exercise all or any of his Warrants the holder must, having completed the Notice of Subscription on the relevant Warrant certificate, lodge it at the office of the Registrars of the Company or of the London Transfer Agent accompanied by a remittance for the total subscription moneys for the Ordinary Shares in respect of which such Warrants are exercised. Once lodged, a Notice of Subscription shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable.

(c) The Ordinary Shares issued pursuant to the exercise of Warrants will be allotted not later than 21 days after and with effect from the date the relevant application is lodged as aforesaid (the "Exercise Date"), and certificates in respect of such Ordinary Shares will be issued not later than 28 days after the Exercise Date. The allotment will be made to the persons in whose names such Warrants are registered at the Exercise Date or (subject as permitted by law) to such other persons as may be named in the Notice of Subscription. If less than all the Warrants evidenced by such certificate are exercised, the Company shall at the same time issue a fresh Warrant certificate in the name of the holder for the balance of such Warrants remaining exercisable.

(d) Ordinary Shares allotted pursuant to the exercise of Warrants will not rank for any dividends or other distributions declared, made or paid in respect of any financial year of the Company prior to the financial year in which the Exercise Date falls but, subject thereto, will rank *pari passu* in all other respects with the Ordinary Shares in issue at that Exercise Date.

(e) Application will be made to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Warrants to be admitted to the Official List and the Company will use all reasonable endeavours to obtain the grant thereof not later than 28 days after the relevant Exercise Date.

(f) If at any time 75 per cent. or more of the Warrants shall have been exercised, the Company shall be entitled on giving not less than 14 days' notice in writing to the holders of the Warrants then outstanding to appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall, within the period of 14 days following the giving of such notice, exercise such Warrants as have not been exercised and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute *pro rata* the proceeds, less such subscription and other costs and expenses, to the persons entitled thereto as soon as practicable after such sale, provided that entitlements of under US$2 shall be retained for the benefit of the Company.

(g) Within 7 days following 30th September, 1991 the Company will appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall, within the period of 21 days following 30th September, 1991, exercise such Warrants as have not been exercised and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute *pro rata* the proceeds, less such subscription and other costs and expenses, to the persons entitled thereto as soon as practicable after such sale, provided that entitlements of under US$2 shall be retained for the benefit of the Company.

2. Adjustment of Subscription Rights

(a) Upon any allotment of Ordinary Shares fully paid by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register on a date (or by reference to a record date) before 22nd October, 1991 or upon any subdivision or consolidation of the Ordinary Shares before that date, the number of Warrants remaining unexercised (and accordingly the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise in full of such Warrants) will be increased or, as the case may be, reduced in due proportion and the Subscription Price will be adjusted accordingly. On any such capitalisation, subdivision or consolidation the Auditors for the time being of the Company shall certify the appropriate adjustments and, within 28 days after the issue of such certificate, the Company will cause the Register of holders of Warrants to be updated (with effect from the effective date of such adjustment) to reflect, in respect of each holder, the additional Warrants (representing the additional Ordinary Shares for which that holder is entitled upon exercise to subscribe) arising in consequence of such adjustment, fractional entitlements being ignored, and notice of such adjustment (giving the relevant particulars) shall be given to each holder, accompanied by a new Warrant certificate in respect of all of the Warrants of which he is the registered holder. Pending receipt of such new Warrant certificate, such holder's original Warrant certificate shall be treated as if it referred to such holder's increased holding of Warrants; upon receipt of such new Warrant certificate, such original Warrant certificate shall cease to be valid for any purpose and shall be returned to the Company or its Registrar (or any agent appointed for the purpose) upon request. In the event of a consolidation of Ordinary Shares (resulting in a reduced number of Warrants and an increased Subscription Price), the foregoing provisions of this sub-paragraph (a) shall be construed *mutatis mutandis*.

(b) If on or before 30th September, 1991 the Company makes any offer or invitation (whether by rights issue or otherwise) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3 (f) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Warrants as if they had been exercisable and had been exercised on the day immediately preceding the record date of such offer or invitation on the basis then applicable.

3. Restrictions on the Company and Other Provisions

So long as any Warrant remains exercisable:

(a) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares or (ii) issue securities by way of capitalisation of profits or reserves except Ordinary Shares credited as fully paid and issued to the holders of its Ordinary Shares;

(b) the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a separate class or create any new class of share capital except for shares which carry, as compared with the existing Ordinary Shares, no more advantageous rights as regards voting, dividends and return of capital;

(c) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full without the need for the passing of any resolution by shareholders all Warrants remaining exercisable;

(d) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(b) above if, as a result, the Company would on any subsequent exercise of the Warrants be obliged to issue Ordinary Shares at a discount;

(e) the Company shall not (i) amend its Articles of Association so as to enable any distribution of capital profits or capital reserves, (ii) reduce its share capital or (except as authorised by the Companies Ordinance as from time to time amended or re-enacted) any share premium account, or (iii) purchase or redeem any share capital;

(f) if at any time an offer is made to all Ordinary shareholders of the Company (or all such shareholders other than the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued Ordinary Share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast at a General Meeting of the Company has become vested in the offeror and/or such persons as aforesaid, the Company shall give notice to the holders of the Warrants of such vesting within 14 days of becoming so aware, and each such holder shall be entitled, at any time within the period of 180 days immediately following the date of such notice (for which purposes the date on which such notice is given shall be deemed to be an Exercise Date), to exercise his Warrants on the terms (subject to any adjustment pursuant to paragraph 2(a) above) set out in paragraph 1 above and so that failing such exercise within such period such Warrants shall upon the expiry of such period cease and determine, provided that if, during such period, such offeror (and/or such persons as aforesaid) becomes entitled to exercise rights of compulsory acquisition of Ordinary Shares pursuant to Section 168 of and the Ninth Schedule to the Companies Ordinance and gives notice in writing to any holders of Ordinary Shares that he intends to exercise such rights, the Warrants shall be and remain exercisable until one month from the date of such notice and to the extent that they have not been exercised shall thereupon cease and determine; and

(g) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution, as defined in paragraph 4(b) below, of the holders of the Warrants), each holder of a Warrant will (if in such winding up there shall be a surplus available for distribution amongst the holders of the Ordinary Shares (including for this purpose the Ordinary Shares which would arise on the exercise of all the Warrants) which, taking into account the amounts payable on the exercise of the Warrants, exceeds in respect of each Ordinary Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Warrants had been exercisable and had been exercised in full on the basis then applicable, and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price; subject to the foregoing, all Warrants shall lapse on a winding up of the Company.

4. Modification of Rights

(a) All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the Warrants.

(b) For the purposes of these conditions "extraordinary resolution" means a resolution proposed at a meeting of the holders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll. All the provisions of the Articles of Association for the time being of the Company as to General Meetings shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that (i) the period of notice shall be 21 days at least, (ii) the necessary quorum shall be holders (present in person or by proxy) entitled to subscribe for one-third in nominal amount of the Ordinary Shares attributable to the then outstanding Warrants, (iii) every holder present in person at any such meeting shall be entitled on a show of hands to one vote and every holder present in person or by proxy shall be entitled on a poll to one vote for every Warrant held by him, (iv) any holder present in person or by proxy may demand or join in demanding a poll, and (v) if at any adjourned meeting a quorum as above defined is not present, those holders who are then present in person or by proxy shall be a quorum.

5. Transfer

Each Warrant will be in registered form and will be transferable in whole or part by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a fraction of a Warrant may be effected.

6. General

(a) The Company will concurrently with the issue of the same to its Ordinary shareholders send to each holder of Warrants (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company together with all documents required by law to be annexed thereto, and a copy of every statement, notice or circular issued to Ordinary shareholders.

(b) All the provisions of the Articles of Association for the time being of the Company as to certificates, the transfer and transmission of shares, record dates, untraced shareholders, the service of notices and other documents and the destruction of documents shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company.

(c) Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the Company as holding any Warrant upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Warrant or any interest in any fraction or part of a Warrant or (except only as otherwise provided by these conditions or by law) any other right in respect of any Warrant except an absolute right to the entirety thereof in the registered holder.

VI. Further information on China, Japan and Hong Kong

(A) China

(i) History

The People's Republic of China was founded, under the leadership of Chairman Mao Zedong, in 1949 following the victory of the Communists over the Kuomintang (Nationalists), who fled to Taiwan which they still occupy.

Immediately after the establishment of the People's Republic, laws were enacted to confirm the Chinese Communist Party ("CCP") in power, and central and local governments were reorganised. Mao Zedong's subsequent steps to restructure the economy included land reform, the nationalisation of private and foreign enterprises, and the collective ownership of enterprises.

The economic policy of China was formalised in 1953 through the First Five-Year Plan (1953-58), which emphasised development of heavy industry and increased agricultural production with light industry taking a secondary role. In addition, the agricultural sector was restructured into collectives.

Although significant industrial development was achieved between 1953 and 1978, it created structural economic imbalances and inefficiencies which remain a serious problem. Although subsequent economic planning sought to alleviate these weaknesses, the Chinese economy fell substantially short of the growth rates achieved in other Far Eastern economies. This backwardness was and remains particularly marked in technology.

(ii) Government

The central government in Beijing prepares plans for the nation as a whole, sending policies to the provincial authorities. As well as acting on Beijing's directives, provincial governments draw up their own programmes for local services and are responsible for developing plans for cities, communes and other units under their jurisdiction. Their activity also includes administration of certain large-scale industrial installations.

The government exists to carry out the policies adopted by the CCP, and party membership is a pre-requisite for holding influential positions within the government. As a result there is a great deal of overlap between CCP and government officials.

(iii) Economy

In 1983 China had a population of over one billion people, eighteen times that of the United Kingdom, and yet its Gross National Product of £210.6 billion was a third lower. In per capita terms it was only £203, compared with £5,366 in the United Kingdom. One of the main factors contributing to this underdevelopment was China's former encouragement of population growth. The population has nearly doubled since 1949. This has resulted in underemployment throughout the country, as well as housing problems and food shortages. However, a 'one child per family' policy has been adopted and the rate of population increase has slowed from 2.9 per cent. in 1970 to 1.1 per cent. in 1984. In addition, much of the increase in the population can be attributed to the once and for all effect of an extension of average life expectancy at birth from 36 years in 1948/9 to 67 years in 1985.

China is a socialist-planned economy operating under a series of Five-Year Plans. In 1982 a goal for realising China's 'four modernisations' policy (i.e. of agriculture, industry, national defence and science and technology) was established, requiring the gross annual value of industrial and agricultural production to rise fourfold in real terms by the end of the 20th century, equivalent to an annual economic growth rate of 7.2 per cent.

In October, 1984 the CCP adopted a policy of accelerated and comprehensive reform of the nation's economic structure and institutions. Embracing a broad range of reforms designed to free enterprises from state and party control, the policy outlines a concept of socialism which attempts to blend, within a socialist framework, the decision-making environment and incentive structure of a capitalist economy. State ownership of the means of production is to be continued but the policy is to give enterprises more independence and greater responsibility for their own profit and loss.

Real economic competition will demand application of marketing and managerial skills that few Chinese enterprises now possess. State subsidies and nearly stable, controlled prices have meant security for China's urban residents. The transition to a system whereby the urban population pays something closer to the true costs of food and housing, even with large wage increases, will undoubtedly be difficult.

(iv) Foreign Trade

China's foreign trade has been increasing steadily since 1953, with an average annual growth rate of 10.7 per cent. in US dollar terms (1953-1984). In the last five years, annual growth rates averaged 11.2 per cent. Nevertheless, throughout the first half of the 1970's China's foreign trade remained small, both as a share of national income and as a proportion of world trade.

Between 1950 and 1978 all exports and imports were state controlled, with nine State Trading Corporations being co-ordinated by the Ministry of Foreign Trade. Under this system imports were intended only to meet shortfalls of essential products, with exports providing the foreign currency to pay for these imports.

Since 1976 there has been a trend towards the decentralisation of foreign trade, despite a number of reversals in policy, which has given greater control to provincial and municipal trading firms. In recent years an open-door policy has been adopted, designed to promote international trade and technology transfer. There has been an unprecedented expansion of trade with the West (in which the opening up of certain coastal cities has played a part) and internal trade has also been developed with the creation of four Special Economic Zones. By the end of 1983 total foreign trade accounted for nearly 20 per cent. of China's national income.

A degree of decentralisation has taken place through the creation of foreign trade corporations, which enjoy a significant level of autonomy and have frequently been offshoots of industrial ministries. The best known example is the China National Offshore Oil Corporation.

China's Foreign Trade (US$ billion)

	Exports	*Imports*	*Balance*
1978	9.8	10.9	−1.1
1979	13.7	15.7	−2.0
1980	18.3	19.6	−1.3
1981	20.9	19.5	1.4
1982	21.8	17.5	3.3
1983	22.2	18.5	3.7
1984	24.4	25.4	−1.0

Source: State Statistical Bureau

The Chinese economy in recent months has been growing at a rate which the authorities consider undesirable and which in economic terms has created some bottlenecks. In the first six months of 1985, on a year on year basis, industrial production rose by 23.1 per cent., well above the authorities' target of 7.2 per cent. average annual growth. Consequently, since April the government has announced a number of measures to slow industrial growth and to restrict the import of certain goods not considered essential. The government has also expressed concern over the rapid fall in foreign exchange reserves. In view of these changes of policy, it is unlikely that the recent rapid rate of economic growth will be sustained.

(v) Foreign Investment

Since the establishment of the first joint venture with a foreign enterprise in 1979, the amount of direct investment from abroad has been increasing year by year, reaching an aggregate amount of US$ 6.68 billion by the end of 1983, of which US$ 340 million was used for setting up 188 joint ventures, US$ 2.95 billion for 1,047 cooperative ventures and US$ 3.39 billion for projects pertaining to such activities as compensation trade, offshore oil exploitation and sole-owner enterprises.

A number of laws relating specifically to foreign investment in China have been promulgated since 1979 commencing with the establishment of certain broad principles by the enactment of the Law of the People's Republic of China on Joint Ventures using Chinese and Foreign Investment. This was followed in 1983 by the promulgation of the Regulations for the Implementation of the Law on Joint Ventures using Chinese and Foreign Investment which set out rules relating to the establishment and operation of equity joint ventures in somewhat greater detail. In addition, a number of laws and regulations have been promulgated relating to matters such as taxation, labour management, exchange control, contract law, patent and trade marks and the specific rules which are to apply in the Special Economic Zones. Due to the extremely short period in which some of these laws have been in force, it is not possible to be certain of the manner in which they will be administered or interpreted by the Chinese authorities. However, the promulgation of these laws appears to demonstrate the importance which the Chinese authorities attach to improving the legal environment from the standpoint of foreign investors.

(vi) Exchange Rate

	1980	*1981*	*1982*	*1983*	*1984*
Yuan per US$ (at 31st December)	1.5	1.7	1.9	2.0	2.8

Source: International Financial Statistics (September, 1985)

The above information on China has been collated from a number of published sources including a Bank of China Information Memorandum dated June 5th, 1985, the December, 1984 issue of The China Quarterly and reports published by Arthur Andersen & Co. (August, 1984) and National Westminster Bank PLC (May, 1985).

(B) Japan

	¥ *billion, 1975 prices (fiscal year)*				
	1980	*1981*	*1982*	*1983*	*1984*
Gross National Product[(1)]	191,873	198,708	205,500	213,584	225,854
% increase over previous year	4.6	3.6	3.4	3.9	5.7
Exports of goods and services[(1)]	34,705	40,025	40,358	44,060	51,266
Imports of goods and services[(1)]	26,314	28,372	27,837	27,915	31,067
Consumer prices % increase[(2)]	7.9	4.0	2.4	1.9	2.2
Unemployment %[(2)]	2.1	2.2	2.5	2.7	2.7
Yen per US$[(3)] (at 31st December)	203.0	219.9	235.0	232.2	251.1
Tokyo New Stock Exchange Index[(4)] (calendar year):					
High	498	604	594	732	913
Low	449	491	512	575	735

Sources: (1) Economic Planning Agency (September, 1985)
(2) Bureau of Statistics, Management and Coordination Agency (1985)
(3) International Financial Statistics (September, 1985)
(4) Datastream (a subsidiary of Dun and Bradstreet)

(C) Hong Kong

	HK$ billion, 1980 prices (calendar year)				
	1980	*1981*	*1982*	*1983*	*1984*
Gross Domestic Product[(1)]	137.2	150.2	154.6	162.5*	178.1†
% increase over previous year	11.0	9.4	2.9	5.1	9.6
Exports of goods and services[(1)]	120.4	137.1	135.1	153.6*	184.9†
Imports of goods and services[(1)]	126.7	142.9	140.3	155.0*	177.1†
Consumer prices % increase[(1)]	15.5	10.3	10.5	9.9	8.2
Unemployment %[(1)]	3.8	3.9	3.6	4.5	3.9
HK$ per US$[(2)] (at 31st December)	5.1	5.7	6.5	7.8	7.8
Hang Seng Index[(3)]:					
High	1,655	1,810	1,445	1,103	1,207
Low	739	1,114	676	690	746

* Provisional
† Preliminary

Sources: (1) Hong Kong Monthly Digest of Statistics (February and June, 1985)
(2) Lloyds Bank Group Economic Report (1985)
(3) Datastream (a subsidiary of Dun and Bradstreet)

VII. General Information

1. Share Capital

(a) The Company was incorporated in Hong Kong under the provisions of the Hong Kong Companies Ordinance on 12th July, 1985 as a limited company (registered number 154416) under the name of Sanmingo Company Limited. The name of the Company was changed to The China & Eastern Investment Company Limited on 20th September, 1985 and was then changed to its present name on 2nd October, 1985. The Company was incorporated with an authorised share capital of US$1,000 divided into 1,000 Ordinary Shares of US$1 each. On incorporation two Ordinary Shares were issued nil paid to the subscribers to the Memorandum and Articles of Association.

(b) On 25th October, 1985 resolutions of the Company were passed whereby:

(i) the authorised share capital of the Company (including the two Ordinary Shares already in issue) was subdivided into 2,000 Ordinary Shares of US 50 cents each and increased to US$11,500,000 by the creation of 22,998,000 new Ordinary Shares of US 50 cents each; and

(ii) the objects clause and certain other provisions of the Memorandum of Association were amended, new Articles of Association were adopted and the Company was converted into a public company.

(c) On 25th October, 1985 the subscribers to the Memorandum of Association transferred their Ordinary Shares to Barings and Barings Nominees Limited and on 28th October, 1985 Barings entered into the Agreement with the Company described in paragraph 8 below.

(d) On 25th October, 1985 the Company by virtue of a Resolution of its Board of Directors created Warrants, having the rights set out under Part V above, to subscribe for 3,400,000 Ordinary Shares (subject to adjustment).

China & Eastern Investment Company Limited **3**

(e) The share capital of the Company is as follows:

	Ordinary Shares of US50 cents each	
Issued to subscribers	4	
Now being issued	16,999,996	
Total issued and now being issued		17,000,000
Reserved for issue pursuant to the exercise of Warrants	3,400,000	
Other authorised but unissued	2,600,000	
Total authorised but unissued		6,000,000
Aggregate number presently authorised		23,000,000

Save as disclosed above, no issues of share capital have been made by the Company.

(f) Apart from the issue of Ordinary Shares (with Warrants) pursuant to the Offer for Subscription and upon the exercise of the Warrants:

(i) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option;

(ii) no material issue of Ordinary Shares of the Company (other than to shareholders *pro rata* to existing shareholdings) will be made within one year of the date of this prospectus without the prior approval of the shareholders in General Meeting; and

(iii) no issue of Ordinary Shares in the Company will be made which would effectively alter the control of the Company without the prior approval of shareholders in General Meeting.

2. Transfer of Ordinary Shares and Warrants

Ordinary Shares and Warrants are transferable by instrument in writing signed by (or, in the case of a transfer by a body corporate, signed on behalf of) the transferor. The Directors may decline to register any transfer of Ordinary Shares or Warrants unless (a) the instrument of transfer is lodged with the Company, accompanied by the certificate for the Ordinary Shares or (as the case may be) the Warrants to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, (b) in the case of a transfer of Ordinary Shares the instrument of transfer is in respect only of Ordinary Shares and (c) in the case of a transfer to joint holders, the number of joint holders to whom an Ordinary Share is to be transferred does not exceed four. In the case of the death of any one of joint holders, the survivor or survivors will be the only person or persons recognised by the Company as having any title to the interest of the deceased joint holder in the Ordinary Shares or Warrants registered in the names of such joint holders.

Ravensbourne Registration Services Ltd. will act as London Transfer Agent for the Company and will accept on its behalf certificates for Ordinary Shares and Warrants together with instruments of transfer and (in the case of Warrants) Notices of Subscription at its office in London for registration and processing in Hong Kong. No instrument of transfer will be accepted unless accompanied by a remittance for the appropriate Hong Kong stamp duty at the rate for the time being current.

3. Valuation of Investments

Unquoted investments will initially be carried at cost. Subsequently the Directors will be guided by a number of factors including the achievement of the various financial targets which make up a company's or project's financial plan, subsequent issues of capital at a different price and dealings between third parties. Quoted investments will normally be carried at market value. If denominated other than in US dollars the value of investments will be translated into US dollars at the exchange rate prevailing on the date of valuation.

4. Report and Accounts

Copies of the audited financial statements of the Company (which will be made up to 31st July each year) will be sent to Ordinary Shareholders and Warrantholders at their registered addresses not less than 21 days before the date fixed for the annual general meeting of the Company at which they will be considered. Ordinary Shareholders and Warrantholders will also be sent copies of a half-yearly report on the Company and the half-yearly unaudited financial statements of the Company for the six months ending 31st January in each year.

5. General Meetings

The annual general meeting of Ordinary Shareholders of the Company will be held, for the purpose, *inter alia*, of considering the audited financial statements of the Company, in Hong Kong or at such other location as the Directors of the Company may from time to time determine. Notices convening the annual general meeting (together with the annual report and accounts of the Company) will be sent to Ordinary Shareholders at their registered addresses not later than 21 days before the date fixed for the meeting. Other general meetings may be convened from time to time by the Directors by sending notices to Ordinary Shareholders at their registered addresses.

6. Accountants' Report

The following is the text of a report received by the Directors from Deloitte Haskins & Sells, the Auditors and Reporting Accountants:

The Directors,
China & Eastern Investment
Company Limited, and
Baring Brothers & Co., Limited

Deloitte Haskins & Sells
Wing On Centre
26th Floor, 111 Connaught Road Central
Hong Kong

28th October, 1985

Gentlemen,

We report that China & Eastern Investment Company Limited was incorporated on 12th July, 1985 and since that date no audited accounts have been made up, no dividends have been declared or paid and the Company has not commenced business.

Yours faithfully,
Deloitte Haskins & Sells
Certified Public Accountants

7. Directors' and Others' Interests

(i) No Director has any interest in the share capital of the Company. The following Directors have indicated their intention to apply under the Offer for Subscription for the numbers of Ordinary Shares (with Warrants) specified against their names:—

J. D. Bolsover	5,000
J. L. Compton	5,000
N. E. Melville	5,000
K. Nagamine	5,000
E. Remington-Hobbs	—
D. G. P. Scholfield	2,000
J. J. K. Taylor	1,000
J. P. Williams	3,400

(ii) All of the Directors (other than N. E. Melville, who is employed full-time by Baring Brothers Asia Limited) are full-time employees of BIIM or wholly-owned subsidiaries thereof and normally benefit from bonus payments related to profitability. Such payments will therefore be affected by the management fees receivable by BIFM from the Company. Save as aforesaid and through the directorships disclosed in Part II, no Director has any interest in any transaction which, since its incorporation, has been effected by the Company.

(iii) The Directors are aware of the following interests which, immediately following the Offer for Subscription and assuming the Offer is fully taken up (including, as to 25 per cent., by the public) but disregarding shares issuable on the exercise of Warrants, will amount to 5 per cent. or more of the issued share capital of the Company:–

	Ordinary Shares of US50 cents each	*Percentage of Issued Share Capital*
National Securities Co., Ltd.	1,725,000	10.1
Prudential Portfolio Managers Ltd.	1,125,000	6.6
Yamaichi International (Europe) Limited	1,125,000	6.6

(iv) There are no Directors' service contracts with the Company.

8. Offer for Subscription Arrangements

By an Agreement dated 28th October, 1985 and made between the Company and Barings, Barings has agreed to procure subscribers for the Ordinary Shares (with Warrants) the subject of this Offer for Subscription or, failing that, itself to subscribe for such of the Ordinary Shares (with Warrants) as are not subscribed pursuant to this Offer or by the Underwriters pursuant to the Underwriting Letters (both as defined in the Agreement). The Agreement is conditional, *inter alia*, on the Council of The Stock Exchange, London admitting all of the Ordinary Shares, issued and now being issued, and Warrants of the Company to the Official List (subject to the posting of Share and Warrant certificates) not later than 8th November, 1985. The Agreement also contains provisions which permit it to be terminated by Barings, prior to the closing of the application list, in the event of a material breach of any of the warranties given to Barings therein or if Barings determines that, by reason of a material adverse change in market conditions, the Offer for Subscription should not proceed.

Barings will receive from the Company a commission of 2 per cent. of the issue price of the Ordinary Shares (with Warrants) being offered for subscription out of which, on behalf of the Company, it will pay commissions at the rate of 1¼ per cent. of such issue price to the Underwriters and ¼ per cent. to James Capel & Co., brokers to the Offer for Subscription.

The Company has agreed to pay all other costs, charges and expenses relating or incidental to the Offer for Subscription and the application for listing, including capital duty, The Stock Exchange listing fee, the costs and expenses of the Reporting Accountants, the charges of the Receiving Bankers and the Registrars, its own and Barings' legal expenses, the costs of printing, advertising and circulating this document and fees to Barings and James Capel & Co. of £50,000 and £25,000 respectively.

The estimated costs and expenses of this Offer for Subscription payable by the Company amount to US$860,000 (including estimated capital and premium duty of US$120,000).

9. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

(a) the Offer for Subscription Agreement referred to above;

(b) an Investment Management Agreement dated 28th October, 1985 between (1) the Company and (2) BIFM whereunder BIFM has agreed to provide investment management services to the Company for a fee of 5/16 per cent. of the value of the Company's net assets determined and payable quarterly in arrears (equivalent to 1¼ per cent. of the average quarter-end value in each year). The Agreement contains provisions indemnifying BIFM against any liability not due to wilful default, bad faith or gross negligence on the part of itself or its servants or agents. After an initial three year period the Agreement is freely terminable by either party on giving not less than six months' notice expiring at the end of such period or any time thereafter;

(c) a Registrar's and Transfer Agency Agreement dated 28th October, 1985 between the Company and Central Registration Hong Kong Limited (the "Registrar") whereby the Registrar has agreed to act as Registrar and Warrant Agent in respect of the Ordinary Shares and the Warrants; and

(d) a London Transfer Agency Agreement dated 28th October, 1985 between the Company, the Registrar and Ravensbourne Registration Services Ltd. ("Ravensbourne"), a wholly-owned subsidiary of Barings, whereby Ravensbourne has agreed to act as the Company's London Transfer Agent.

10. Summary of the Company's Objects

The Memorandum of Association of the Company provides that the Company's objects include the undertaking and carrying on the business of an investment company, and the investing of the capital and other moneys of the Company in the purchase or upon the security of shares, stocks, debentures, debenture stocks, bonds, bills, certificates, notes, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking of whatever nature and wheresoever constituted or carrying on business, and shares, stocks, debentures, debenture stocks, bonds, bills, certificates, notes, currency, mortgages, obligations and securities of any kind issued or guaranteed by any government, state, dominion, colony, sovereign ruler, commissioners, trust, public, municipal, local or other authority or body of whatsoever nature, whether within Hong Kong or in any other part of the world. The objects of the Company are set out in full in Clause 3 of the Memorandum of Association, which is available for inspection at the addresses specified below.

China & Eastern Investment Company Limited 4

11. Articles of Association

The Articles of Association of the Company, which are similarly available for inspection, contain *inter alia*, provisions to the following effect:-

Borrowing Powers

The Board of Directors ("the Board") may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Ordinance, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (but as regards subsidiaries only in so far as by the exercise of such rights or powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings (as defined in the Articles of Association) by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 25 per cent. of the Adjusted Capital and Reserves (as defined in the Articles of Association). *(Note: These provisions, in common with the Articles of Association generally, can be varied by a special resolution of the Company.)*

Voting Rights

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Member who is present in person at a general meeting of the Company shall have one vote, and on a poll every Member who is present in person or by proxy shall have one vote for every U.S.50 Cents nominal amount of share capital of which he is the holder.

Changes in Share Capital

The Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

Subject to the Ordinance, the Company may, by the resolution increasing the capital, direct that the new shares or any of them shall be offered in the first instance to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively or may make any other provisions as to issue of the new shares.

The new shares shall be subject to all the provisions of the Articles with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the Ordinance) and so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of the shares may have any such preferred or other special rights over, or may have such deferred or qualified rights or be subject to any such restrictions as compared with, the other or others as the Company has power to attach to unissued or new shares;

(c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled;

and may also by special resolution:

(d) subject to any confirmation or consent required by law, reduce its authorised and issued share capital or any capital redemption reserve or any share premium account in any manner.

Modification of Rights

Subject to the Ordinance, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of such shares.

Issue of Shares

Subject to the provisions of the Ordinance and these Articles, the unissued shares of the Company (whether forming part of the original or any increased share capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine.

Note: There are no provisions of Hong Kong law equivalent to Sections 89-96 of the Companies Act 1985 (preemption rights on the allotment of equity securities for cash) but preemption rights for existing shareholders will apply to such an allotment by the Company by virtue of The Stock Exchange's listing requirements, in the absence of an ordinary resolution of the Company in General Meeting.

Transfer of Shares

Subject to such of the restrictions of these Articles as may be applicable, any Member may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve.

The instrument of transfer of a share shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. All instruments of transfer, when registered, may be retained by the Company.

The Board may, in its abolute discretion and without assigning any reason therefor, decline to register any transfer of any share which is not a fully paid share.

The Board may also decline to register any transfer unless:-

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of share; and

(c) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

If the Board declines to register a transfer it shall, within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal.

No fee shall be charged by the Company for registering any transfer, or other document relating to or affecting the title to any share, or for otherwise making any entry in the Register relating to any share.

Directors

Unless and until otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate Directors) shall be not less than two nor more than 15 in number.

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all such fees so paid to Directors (excluding amounts payable under any other Article or under any other paragraph of this Article) shall not exceed 20,000 U.S. Dollars per annum, or such higher amount as may from time to time be determined by ordinary resolution of the Company.

No shareholding qualification for Directors shall be required.

Without prejudice to the power of the Company in general meeting in pursuance of any of the Articles to appoint any person to be a Director and subject to the Ordinance, the Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles. Any Director so appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

At every annual general meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the nearest number to but not exceeding one-third shall retire from office.

The Board may from time to time appoint one or more of its body to be a Managing Director, Joint Managing Director or Assistant Managing Director or to hold any other employment or executive office with the Company for such period (subject to the Ordinance) and upon such terms as the Board may determine and may revoke or terminate any of such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between him and the Company which may be involved in such revocation or termination.

An Executive Director shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and either in addition to or in lieu of his remuneration as a Director.

Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides outside the jurisdiction in which he normally resides for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general notice to the Board by a Director to the effect that (a) he is a member of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm or (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement; provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

Save as otherwise provided by these Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he is to his knowledge materially interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to any of the following matters namely:—

(i) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligation undertaken by him for the benefit of the Company;

(ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the Director has himself guaranteed or secured in whole or in part;

(iii) any contract or arrangement by a Director to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to Members or debenture holders of the Company or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of the Company;

(iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;

(v) any contract or arrangement concerning any other company (not being a company in which the Director owns 1 per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

(vi) any proposal concerning the adoption, modification or operation of a pension fund or retirement death or disability benefits scheme which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates;

(vii) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom such arrangement relates.

Note: Nothing in the Companies Ordinance disqualifies any person from being appointed a Director or requires him to vacate the office of Director by reason only of the fact that he has attained 70 years or any other age.

Advisory Council

The Board shall be advised by the Advisory Council on any and all questions and matters referred to the Advisory Council by the Board, which may in particular but without limitation include the Company's investment strategy. The Advisory Council shall have no executive powers and its functions shall be purely advisory. The Board shall not be obliged in relation to any particular fact, matter or circumstance either to consult the Advisory Council or to follow its advice.

Subject to the provisions of these Articles, the Board shall appoint such persons not being Directors as they consider appropriate to be the initial Councillors, and thereafter may appoint any person not being a Director to be a Councillor, either to fill a casual vacancy or as an addition to the existing Councillors, but so that the total number of Councillors shall not at any time exceed 12.

The Board may remove any Councillor at any time.

Each Councillor shall receive such fees or retainers as the Board shall determine, and in addition shall be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Council or general meetings or any other meetings which as a Councillor he is entitled or requested to attend and shall be paid all expenses properly and reasonably incurred by him in the discharge of his duties as a Councillor. Any Councillor who, by request, goes or resides outside the jurisdiction in which he normally resides for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Councillor may be paid such extra remuneration (whether by fees, retainers or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to this or any other Article.

Dividends

Subject to the Ordinance and as hereinafter set out, the Company in general meeting may from time to time declare dividends to be paid to the shareholders according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Surpluses arising from the realisation of investments shall not be available for dividend.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:-

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Article as paid up on the share; and

(b) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company; the Board may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such position, in the opinion of the Board, justifies such payment.

Unclaimed Dividends

Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company and the payment by the Board of any unclaimed dividend, interest or other sum payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

Reserves

The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose for which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

12. Investment Restrictions

No investment carried at Directors' valuation amounting to 50 per cent. or more of the Company's portfolio will be realised without the consent of the Company in General Meeting.

13. General

(a) The Company has not since its incorporation been engaged in and is not currently engaged in any litigation or arbitration of material importance nor, so far as the Directors are aware, is there any litigation or claim of material importance pending or threatened against the Company.

(b) Deloitte Haskins & Sells have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion herein of their Accountants' Report set out above in the form and context in which it is included.

(c) The promoters of the Company are Barings and BIIM. Save as disclosed above, no amount or benefit has been paid or given to Barings or any of its subsidiaries (including BIIM and its subsidiaries) since the incorporation of the Company and none is intended to be paid or given, other than in respect of fees for services which may be rendered in the future.

(d) The principal place of business of the Company is at 1901 Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong. The Company does not have nor has it had since its incorporation any employees.

(e) Each dividend on the Ordinary Shares will be paid to those holders of Ordinary Shares on the register of members on the record date for such dividend. Such record date will normally be 6 to 8 weeks before the date of payment.

(f) Dividends will only be paid to the extent that they are covered by income received from underlying investments, shares of profits of associated companies being unavailable for this purpose unless and until distributed to the Company. However, it is intended that substantially all the net revenue surplus (if any) will be distributed.

(g) The Offer for Subscription is made by Barings on behalf of the Company. Barings is registered in England (registered number 32813) and its registered office is at 8 Bishopsgate, London EC2N 4AE, England.

(h) The founders of the Company were Ian William Goldie and Carol Wai Wing Hui, both solicitors of 27th Floor, Two Exchange Square, Hong Kong.

14. Documents available for Inspection

Copies of the following documents will be available for inspection at the offices of Barings, 8 Bishopsgate, London EC2N 4AE, England and BIFM, 1901 Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours on any weekday (Saturdays and public holidays excepted) for 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association of the Company and the Hong Kong Companies Ordinance;

(b) the report from the Reporting Accountants set out above;

(c) the consent referred to in paragraph 13(b) above; and

(d) the material contracts referred to in paragraph 9 above.

VIII. Application Procedure

All applications for the Ordinary Shares (with Warrants) now being offered must be for a minimum of 200 Ordinary Shares and integral multiples thereof.

Each application must be made on the Application Form provided and must be accompanied EITHER, in the case of payments in US dollars, by a banker's US dollar draft drawn on a bank in London or by a cheque drawn in US dollars on the London office of a member bank of the London US Dollar Clearing Scheme OR, in the case of payments in sterling, by a separate cheque or banker's draft in sterling on a bank or branch thereof, and payable, in England, Scotland or Wales or drawn on a clearing bank branch in the Channel Islands or the Isle of Man and be lodged with or posted to Baring Brothers & Co., Limited, 8 Bishopsgate, London, EC2N 4AE, England, so as to arrive not later than 10.00 hours (London time) on Friday, 1st November, 1985. Cheques must be made payable to "Baring Brothers & Co., Limited" and crossed "Not Negotiable". A separate cheque or draft must accompany each application.

Photostat copies of Application Forms will not be accepted.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the Ordinary Shares and the Warrants to the Official List (subject to posting of Ordinary Share and Warrant certificates) not later than 8th November, 1985. Monies paid in respect of applications will be returned (without interest) if such admission is not granted by that date and in the meantime will be retained by Barings in a separate account, the interest on which will accrue to the Company.

All cheques are liable to be presented for payment on receipt. Application monies will be retained by Barings in a separate account pending allotment or return of application monies, or any excess thereof. The right is reserved to retain Share and Warrant certificates and any surplus application monies pending clearance of applicants' cheques. The right is also reserved to reject any application or to accept any application in part only and in particular to reject multiple or suspected multiple applications. The right is also reserved to treat as valid any applications which do not fully comply with the conditions set out in the Application Form. If any application is not accepted, the amount paid on application will be returned in full (without interest) and, if any application is accepted for fewer Ordinary Shares (with Warrants) than the number applied for, the balance of the amount paid on application will be returned (without interest), in each case by cheque through the post at the applicant's risk.

No receipt will be issued in respect of any application monies received, but Share and Warrant certificates will be sent through the post to successful applicants (or, in the case of joint applicants, to the first-named applicant) in due course, at their own risk, to the address specified on the relevant Application Form. If an application is rejected or is accepted in part only, the application monies (or the appropriate portion thereof) will be refunded, either by returning the relevant cheque or draft or by sending a cheque made out to the applicant (or, in the case of joint applicants, to the first-named applicant) and crossed "Account Payee Only", in each case through the post at the risk of the applicant(s) to the address specified on the relevant Application Form. It is intended that, in processing applications, special efforts will be made to avoid any undue delay in refunding application monies to any unsuccessful applicants.

Share and Warrant certificates and refund cheques in respect of wholly or partially unsuccessful applications are expected to be posted by first class mail on or before 11th November, 1985. Ordinary Shares and Warrants will be dealt in separately.

Copies of this prospectus with Application Form may be obtained from:-

Baring Brothers & Co., Limited,
8 Bishopsgate,
London EC2N 4AE,
England

James Capel & Co.,
Winchester House,
100 Old Broad Street,
London EC2N 1BQ,
England

28th October, 1985

APPLICATION FORM

The Application List for the Ordinary Shares (with Warrants) will open at 10.00 hours (London time) on Friday, 1st November, 1985 and will close not later than close of business on that date.

This Application Form when completed should be lodged with or posted to Baring Brothers & Co., Limited, 8 Bishopsgate, London, EC2N 4AE, England so as to arrive not **later than 10.00 hours (London time) on Friday, 1st November, 1985 accompanied EITHER, in the case of payments in US dollars, by banker's US dollar draft drawn on a bank in London or by a cheque drawn in US dollars on the London office of a member bank of the London US Dollar Clearing Scheme OR, in the case of payments in sterling, by a separate cheque or banker's draft in sterling on a bank or branch thereof, and payable, in England, Scotland or Wales or drawn on a clearing bank branch in the Channel Islands or the Isle of Man, and made payable to "Baring Brothers & Co., Limited" and crossed "Not Negotiable". A separate cheque or draft must accompany each application, which may not be considered unless these conditions are fulfilled. Photostat copies of Application Forms will not be accepted.**

CHINA & EASTERN INVESTMENT COMPANY LIMITED

(Incorporated in and under the laws of Hong Kong with limited liability)

OFFER FOR SUBSCRIPTION

of

17,000,000 Ordinary Shares of US50 cents each (with Warrants) at US$1 per Ordinary Share or, at the option of each applicant, 71p per Ordinary Share payable in full on application

***Applications must be for a minimum of 200 Ordinary Shares and integral multiples thereof**

Number of Ordinary Shares applied for* (one Warrant being allotted with every five Ordinary Shares)	Amount Enclosed
	$ or £

For Office use only
1. Share certificate No.
2. Number of Ordinary Shares allotted
3. Amount received on application
4. Amount payable on Ordinary Shares accepted
5. Amount returned
6. Returned Cheque No.
7. Warrant certificate No.
8. Number of Warrants allotted

To: The Directors

China & Eastern Investment Company Limited

Gentlemen,

I/We enclose a cheque/draft payable to Baring Brothers & Co., Limited for the above-mentioned sum, being the amount payable on application for the above-stated number of Ordinary Shares of US50 cents each (with Warrants) and I/we hereby apply for that number of Ordinary Shares (with Warrants) and I/we agree to accept the same or any smaller number of Ordinary Shares (with Warrants) in respect of which this application may be accepted upon the terms of the Prospectus dated 28th October, 1985 and subject to the Memorandum and Articles of Association of the Company.

I/We further agree that in consideration of the Company agreeing that it will not, prior to 1st November, 1985, offer any of the securities the subject of the said Prospectus to any person other than by means of the Prospectus, my/our application shall be irrevocable until and including 11th November, 1985 and this sentence shall constitute a collateral contract between me/us and the Company which will become binding upon receipt of this application by Baring Brothers & Co., Limited.

I/We authorise you to send Share and Warrant certificates in respect of such Ordinary Shares and Warrants, and/or a cheque representing the return in the same currency of any application monies due to me/us, by post at my/our risk to the first address written below and I/we hereby authorise you to place my/our name(s) on the Registers of Members of the Company and of holders of Warrants as the holder(s) of the said Ordinary Shares and Warrants.

I/We declare and warrant that the cheque sent herewith will be paid on first presentation and any allotment to me/us is strictly on this understanding.

I/We declare that I/we have read and noted, and will comply with, each of the statements set out at the front of this prospectus between the Timetable and the table of Contents.

(1) Signature.. Date.., 1985

Please use Block Letters

Forename(s) in full

Surname and Designation (Mr., Mrs., Miss, Title or Rank)

Address in full

(A Corporation should complete this Form under the hand of a duly authorised official who should state his capacity)

Joint applicants must sign and complete below.

(2) Signature..

Forename(s) in full .... *Surname and Designation*.. *(Mr., Mrs., Miss, Title or Rank)*

Address (in full)..

(3) Signature..

Forename(s) in full .... Surname and Designation.. (Mr., Mrs., Miss, Title or Rank)

Address (in full)..

(4) Signature..

Please pin cheque/ draft here

Forename(s) in full .... Surname and Designation.. (Mr., Mrs., Miss, Title or Rank)

Address (in full)..

Applicants in the United Kingdom are strongly advised to use first class post and to allow at least two days for delivery. The Company reserves the right to present all cheques and drafts for payment on receipt and to withhold Share and Warrant certificates and excess application monies pending clearance of applicants' cheques.

No receipt will be issued for the amount paid on application. In due course, Share and Warrant certificates in respect of all or some of the Ordinary Shares (with Warrants) applied for, and/or cheques returning application monies or any balance thereof, will be forwarded, in each case by post at the applicant's risk.

FT COMMERCIAL LAW REPORTS

Delay can affect security for costs

JENRED PROPERTIES LTD v ENTE NAZIONALE ITALIANO PER IL TURISMO

Court of Appeal (Lord Justice Nourse): October 8 1985

IN AN action by a limited company the defendant's delay in applying for security for costs or in putting forward his primary defence, is a factor to be taken into account by the court when considering the application; and, having regard to the circumstances, the court may treat the delay as important, particularly if it led the company to act to its detriment, or might cause it hardship in the conduct of the action.

Lord Justice Nourse so held when refusing an application by Ente Nazionale Italiano per il Turismo (the Italian state tourist office) for leave to appeal from a decision by Mr Justice Knox. The judge had refused to make an order for security for costs in an action brought against the tourist office by an English company, Jenred Properties Ltd.

Section 726 of the Companies Act 1985 (previously section 447 of the 1948 Act) provides: "(1) Where . . . a limited company is plaintiff in an action . . . the court . . . may, *if* it appears . . . that . . . the company will be unable to pay the defendant's costs if successful in his defence, require sufficient security to be given for those costs. . . ."

* * *

HIS LORDSHIP said that on October 2 1985 a vendor's action by Jenred, for breach of a contract for the sale of land, was called on for hearing before Mr Justice Knox.

One of the first things he had to do was to determine an application for security for costs made by the defendant, the Italian tourist office, under section 726 of the Companies Act 1985.

He dismissed the application and refused leave to appeal. The tourist office now applied for leave, the trial having been adjourned. It had to satisfy the court that a full Court of Appeal could properly hold that the judge had misdirected himself, or otherwise erred in law, and could thus exercise its discretion afresh. If it could not pass that test, leave to appeal must be refused.

The judge had identified nine separate factors which might tell for or against an order for security for costs. He first said there was jurisdiction to make an order, because of Jenred's parlous financial position. He then dealt with the other eight factors. Some he found in favour of the tourist office, and others in favour of Jenred.

The seventh factor was the question of delay. The judge said that the writ was issued on October 28 1982, the trial was due to start on October 2 1985, and the application for security was made on September 26 1985. It was, on the face of it, made very late indeed, he said.

Mr Brodie, for the tourist office, pointed out that it had broached the question of security on August 10 1984, and that Jenred's solicitors had been highly remiss in failing to answer repeated inquiries.

The judge accepted that they were remiss, but he did not accept that the failure to answer inquiries got rid entirely of delay as a factor against an order for security for costs. The failure to make an application seemed to him more the produce of a decision to take a calculated risk of not stimulating a somewhat quiescent plaintiff into unwelcome activity.

The eighth factor was the merits. The judge's view, with which it was impossible to quarrel, was that there was not even a *prima facie* case that the tourist office had repudiated liability under the agreement before January 1983, three months after the completion date. He added that the defence that the agreement was *ultra vires* the tourist office, which was now the primary defence in the action, was raised on a previous interlocutory hearing only in June or July 1983.

He said that the switch from common acceptance of the validity of the agreement to repudiation on grounds which, over the years, had shifted radically, did seem to be a factor in Jenred's favour in the application.

The judge had to choose between two evils. First, he said, there was the risk that the tourist office would have to bear heavy costs even if it were successful—the mischief against which section 726 was intended to guard.

Secondly, he contrasted that evil with the fact that the tourist office's estimated costs amounted to some £80,000 to £85,000, so that security would need to be substantial. That would make it highly improbable that Jenred could continue with the action, said the judge, and it would therefore be deprived of the chance to assert its right to damages in a case where its chances of success were evenly balanced.

He concluded that the scales came down in *favour of* not ordering security for costs. The two most important factors were the delay in applying, and the delay in raising the question of validity, which was calculated to impose stress on what the tourist office knew to be a private company.

Mr Brodie's principal criticism of Mr Justice Knox's judgment was directed towards the importance he attached to the question of delay. He said that delay either ought not to be taken into account at all or, if it were, ought to be treated as being of minimal importance.

There were two questions of law, said Mr Brodie, which the judge had in effect answered wrongly.

First, to what extent, if at all, was delay in making an application for security for costs to be taken into account by the court, when exercising its discretion? Secondly, was it proper to take into account a defendant's delay in putting forward his substantive defence at the summary judgment stage?

Mr Brodie relied on *Sir Lindsay Parkinson [1973] 1 QB 609* as authority for the proposition that delay ought not to be taken into account at all, or only minimally.

It was true that in that case the majority judgments did not treat the delay which had occurred as being a decisive factor, but rather as a makeweight.

However, the case clearly established that the court had a general discretion to be exercised having regard to all the circumstances. The particular considerations mentioned by the Master of the Rolls in that case were merely illustrative and not intended to be exhaustive.

There was no doubt that delay was a factor which could always be taken into account and which could sometimes be treated as of importance — particularly where it had or might have led the plaintiff to act to his detriment or might cause him hardship in the future conduct of the action.

There might be other cases in which security could be ordered on an application made at the start of a trial, or even at some later stage. Each case depended on its own facts.

In the present case it would be impossible to hold that the judge had misdirected himself in attaching the importance which he did to the delay factor. Moreover, it was clear that he considered a number of other factors, all of which were proper to take into account, and some of which he held to be in Jenred's favour.

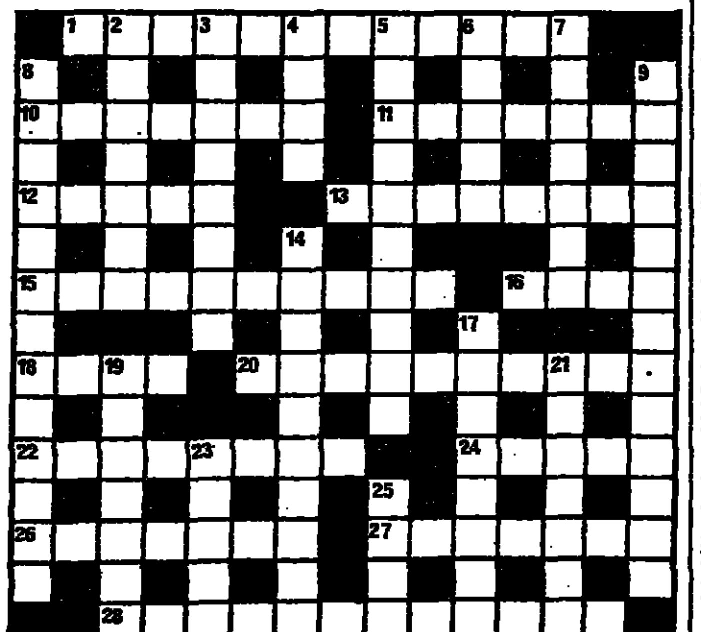
Leave to appeal was refused.

For Jenred: Gavin Lightman QC and Jonathan Crystal (Howard Kennedy and Rossi).

For the tourist office: Stanley Brodie QC and Stephen Nathan (Colombotti and Partners).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,859



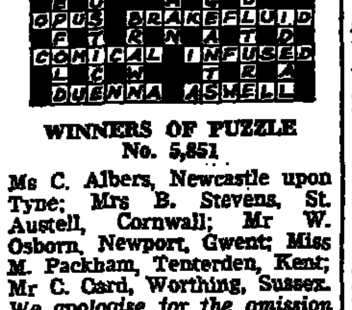
ACROSS

1, 15 & 28 A suggestion of mutual help from one lousy person to another? (3, 7, 2, 4, 3, 3, 7, 5)
10 Carry out and put to death (7)
11 Aim to include another rude bore! (7)
12 Managed to get central heating on the farm, but it's U.S. (5)
13 A seedy bar he's swallowing becomes sticky (8)
15 (See 1 across)
16 Let it stand round the front of the truck, ready (4)
18 Puts a stop to scraps (4)
20 He has lots to sell (10)
22 To walk it, strangely, requires the equivalent of 1.341 H.P. (8)
24 Manages to get Sebastian's piano in (5)
26 A new thing that is often worn by a retiring lady (7)
27 Read about strange thing that transmits vibrations (7)
28 (see 1 cross)

DOWN

2 Once a cook in charge of a great expanse of water (7)
3 The boxer put "a show that's different" (8)
4 Key to enter revolutionary plant (4)
5 The old tie, when knotted, ought to fit inside what the surveyor's holding (10)
6 Standing up, for example, after he first damaged the barrier (5)
7 New story, "The King and I," included a former member of a royal house (7)
8 During the audition, putting Beethoven's fourth before the interval is extremely disappointing (13)
9 Coming to rouse me when dressed up is daring! (13)
14 Met and dispersed, barely in control (10)
17 Orchestral composition for performance on October 1st (8)
19 Drag children up around swamps (7)
21 "This paper size is more unusual" admitted the salesman, rising (7)
23 Rain from the West left off later (5)
25 Get engaged? (4)

Solution to Puzzle No 5,858



WINNERS OF PUZZLE No. 5,851

Ms C. Albers, Newcastle upon Tyne; Mrs B. Stevens, St. Austell, Cornwall; Mr W. Osborn, Newport, Gwent; Miss M. Packham, Tenterden, Kent; Mr C. Card, Worthing, Sussex. *We apologise for the omission of this list last Saturday.*

APPOINTMENTS

Trafalgar House new specialist division

A new specialist division—mechanical and electrical engineering—has been established in the TRAFALGAR HOUSE GROUP. Encompassing building services engineering activities worldwide, including Young Austen and Young, Rashleigh Phipps Electrical and Young Austen and Young (International), the new division has a turnover approaching £100m. Divisional managing director is **Mr R. J. Chenery**, with board members: **Mr J. Anderson, Mr A. G. Newton, Mr J. V. Savage, Mr B. S. Greenstreet** and **Mr D. S. Dannhauser**, under the chairmanship of **Mr P. R. Howell**.

Mr R. J. Chenery, managing director of Trafalgar House mechanical and electrical engineering division

*

Mr Hans Fontein has been appointed a managing director of EBC AMRO BANK and **Mr Michael Hughes** joins as an executive director with responsibilities for Eurobond sales. Both appointments follow the integration of EBC Amro Bank and Amro International. EBC Amro is the international investment banking arm of Amro Bank.

*

Mr Nigel Worne has been appointed marketing director of Ross Foods and Young's Seafoods, which form the frozen food division of IMPERIAL FOODS. Currently general retail marketing manager of the two companies, Mr Worne will take up his new appointment from November 1.

*

ASSOCIATED HEAT SERVICES has announced the appointment of **Mr W. H. Withycombe** to the board as managing director, from November 1. He was previously managing director of the specialist engineering division of Haden.

*

Mr Jonathan Cole, for the past three years managing director of Samuel Montagu Leasing Services, has been appointed finance director of TRAMP SHIPPING AND CHARTERING, the holding company of the Tramp Group.

*

Mr Michael Bailey, who has been appointed production director of HANOVIA, was previously manufacturing services manager for STC Components.

*

PPP (PRIVATE PATIENTS PLAN), has announced a new management structure for the company. **Mr David Rose**, formerly director — membership services, becomes director (operations) heading a division controlling UK personal and corporate insurance and international insurance. Finance director **Mr Jim Burns** is appointed group finance director.

*

OLIVES PAPER MILL has appointed **Mr Paul G. Chandoir** and **Mr Alan W. Wilson** as directors from November 1. **Mr A. S. Rescow** is retiring on October 31.

*

Mr Richard C. Field, has been appointed marketing director on the main board of MARTLET PROPERTY SERVICES, holding company of Whiteheads and Braxtons.

*

Ms Zoë Biddick has been appointed an associate director of GRANDFIELD RORK COLLINS FINANCIAL.

*

Mr Brian Senior has been appointed regional executive director of NATIONAL WESTMINSTER BANK'S West Midlands & Wales region. Deputy regional director since 1982, he succeeds **Mr Michael J. Cross** on his retirement.

*

M Charles Hopwood has been appointed managing director of STRINES TEXTILES from November 1.

*

WOOD GUNDY INC has appointed **Mr Peter L. Jones** to head its international corporate finance division based in London. He was formerly director in charge of the Calgary office and of the prairies region of Western Canada.

*

Mr John Pennell has been appointed market development manager of ROCKWARE GROUP. He joins from Metal Closures Venus Packaging where he was market development manager.

*

LYDDON & CO., stockbrokers, has appointed **Mr John Glavin** and **Mr John Langsdale** as partners.

*

Mr I. D. Smith has been appointed a director of HARRISON HORNCASTLE INSURANCE BROKERS.

*

CLARION, UK distributor for Clark lift trucks, has appointed **Mr Robert Speirs** as managing director of the group's nationwide chain of sales and service outlets. He was previously chief executive of the southern region.

*

Mr John B. H. Jackson has been appointed deputy chairman of CAMBRIDGE ELECTRONIC INDUSTRIES. He has been a director of CEI since its formation, originally as a nominee of Philips Electronic & Associated Industries, of which he is still a non-executive director.

*

Mr Daniel L. Quinlan, until recently director of marketing for the Formica Corporation in the U.S., has been appointed deputy managing director of FORMICA, based at Tynemouth.

*

ARTHUR YOUNG, has admitted the following to the partnership, from November 1: **Mr G. A. Fulton** (audit, London), **Mr F. G. Hogg** (audit, Glasgow), **Mr A. M. Norton** (business services, Birmingham), **Mr G. S. Patterson** (tax, Leeds), **Mr G. Ritchie** (corporate recovery, Edinburgh), **Mr D. M. W. Sherwin** (audit, London) and **Mr P. G. Willey** (tax, Newcastle).

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	111.9	118.4xd	−1.0	10.14
High Inc Equity	76.2	81.0xd	+0.6	6.11
Worldwide Bond	150.4	161.2	−1.0	6.02
Capital Growth				
American Growth	126.1	134.1	−0.8	2.98
Asian Pacific	45.9	49.7	−0.3	2.52
Assets & Engy. Tt.	80.2	85.7	+0.4	2.10
Capital Reserve	60.2	60.5	−0.5	—
Commodity & Engy	67.5	72.6xd	−0.3	2.62
European Capital	57.0	60.6	+0.2	2.48
General	117.7	125.8	+0.7	3.38
Japan	150.9	162.2xd	+1.6	—
UK Growth Acc Units	108.0	116.1	+0.3	—
UK Growth Dist	75.4	81.1xd	+0.5	1.90
U.S. Emerging Co's	49.2	53.2xd	−0.2	0.49
Equitas Prog.	168.3	180.0	+0.4	2.86

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd	94.1	100.4	−0.3	—
Pacific Fd	115.0	123.0	−0.4	0.20
Secured Income Fd	143.5	153.5	+0.1	5.50
Special Sits.	159.8	170.9	+0.6	1.56
Energy Fd	27.2	29.1	−0.2	0.60
American Majors	55.7	59.5	−0.3	1.56
Small Co's Fd	30.9	33.0	+0.2	1.97
Jap. Technology	58.6	62.7	+1.0	0.18
International Income	49.9	53.5	+1.0	7.00
Energy	439.5	470.4	.....	—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Heston, Brentwood, Essex Brentwood. (0277) 211459 & 229123

[illegible]

Brown Shipley & Co. Ltd. (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	49.1	51.6	—	4.40
B.S. Accum	81.0	86.7	—	[illegible]
Financial	104.2	112.1	—	2.80
German	24.3	25.9	—	2.00
Growth Accum	[illegible]	[illegible]	—	—
Growth Income	97.3	104.6xd	—	2.00
High Income	51.6	55.5xd	—	7.22
Income	60.4	66.0xd	—	6.02
North American	47.0	50.3	—	1.92
Orient	48.2	51.5	—	0.24
Recovery	29.1	31.5	—	3.56
Technology	110.4	118.8	—	0.75

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT. 01-588 2868

General Inc Oct 24	173.4	181.9	—	4.53
Accum Units Oct 24	269.5	282.6	—	4.53
Income Oct 23	77.3	81.9xd	—	5.90
(Accum Units) Oct 23	132.8	139.5	—	5.90
Int'l Oct 22	96.9	101.9	—	2.70
(Accum Units) Oct 22	127.1	132.8	—	2.70
Smaller Co's Oct 25	860.1	921.5	—	1.84
(Accum Units) Oct 25	902.3	966.1	—	1.84

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY. 01-242 1148

CS Japan Fund	45.3	48.2	+0.6	0.45
CS Portfolio Inv. Fd.	55.3	58.6	+0.3	3.41

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts. P Bar 51122

Can. Gen. Dist.	93.5	98.4	+0.4	3.45
Do. Gen. Accum	144.8	152.4	+0.7	3.44
Do. Income Dist.	65.5	68.9xd	+0.3	6.34
Do Inc. Accum.	130.8	137.7	+0.6	6.31
Gilt & Fxd. Int. Trust	35.9	37.8	+0.6	—

Cannon Fund Managers Ltd. (x)
1, Olympic Way, Wembley, HA9 0NB. 01-902 8876

Growth	229.9	244.6	+0.1	3.22
Income	266.0	283.0	+0.7	5.29
Far East	120.9	128.1	−0.4	0.76
North American	108.9	115.8	−0.9	1.51

Capel (James) Mngt. Ltd.
100, Old Broad St, EC2N 1BQ. 01-588 6010

[illegible]

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood.

[illegible]

G.T. Unit Managers Ltd.

[illegible]

Gartmore Fund Managers (a) (c) (g)
2 St Mary Axe, EC3A 8BP.

[illegible]

Legal & General (Unit Tst. Mngrs.) Ltd.

[illegible]

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd.
66 Cannon St, London EC4N 6AE. Dlg 01-236 3885

International Growth	92.4	98.4	-0.4	2.00
Income & Growth	43.5	46.0	+0.1	3.20
Special Situations	52.4	55.8	+0.3	1.40
American Growth	25.8	27.5	-0.1	1.10
Japan Growth	33.6	35.8	+0.2	—
European Growth	40.8	43.6	-0.1	3.30
UK Growth	40.7	43.5	+0.4	—
Pacific Growth	31.8	34.0	-0.2	1.80
High Income	28.1	30.1		7.40
Practical Income Units	42.0	44.7	+0.3	3.1
Practical Accum. Units	75.5	80.4	+0.6	3.1

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	66.0	70.2	+0.1	3.11
Accum Units	97.5	103.7		3.11
Pearl Inc.	93.5	99.5	+0.5	4.94
Pearl Unit Tst	99.1	105.4	+0.5	3.90
(Accum Units)	167.5	178.2	+0.8	3.90

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	195.6	209.9	-0.2	1.91
Income	147.1	157.6	+0.8	5.37
Worldwide Recovery	109.6	117.6	+1.0	2.64
American Growth	53.3	57.2	-0.3	1.11
Intl. Emerging Cos.	59.5	63	-0.2	0.79
Far East Growth Fd.	49.8	53.5	-0.2	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	105.9	113.5	+0.2	0.20
Prolific Extra Inc.	65.4	69.6	+0.3	5.64
Prolific Gilt Cap.	83.7	87.1	-0.7	3.16
Prolific High Inc.	141.8	150.8	+0.7	4.93
Prolific Intl.	83.7	89.7	+0.4	1.83
Prolific N. Amer.	109.0	116.8	-0.4	2.44
Prolific Spec. Sits	154.9	164.8	+2.5	1.63
Prolific Technology	94.8	101.6	-0.3	0.80

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG 01-749 9111

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd. Sevenoaks.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse. Andover

3i & Target Fund Mngrs Ltd
2 St Mary Axe, London EC3

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd. Aylesbury

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal Luxembourg

World Fund NAV	$12.87		—

World Wide Growth Management
10a Boulevard Royal Luxembourg

Worldwide Gth Fd	$13.52	-0.02	—

Inv. Adv. M & G Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$10.78	+0.06	—
Dynamic Grth Fd.	$9.68	+0.02	—

Money Market Trust Funds

The Charities Deposit Fund
77 London Wall, London EC2N 1DB 01-588 1815

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
Deposit	11.20			3 Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST 01-236 0952

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
Call Fund	11.42	8.54	12.55	6mth
7-day Fund	11.61	8.68	12.74	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE 01-236 1425

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
Call Fund	11.46	8.58	12.6?	6-Mth
7 day Fund	11.06	8.27	12.1?	6-Mth
Dollar	6.81		6.99	6-Mth

Money Market Bank Accounts

Adam & Co. plc
22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
Full Service Cur Acc	11.25	8.00	11.78	Qtr

Aitken Hume
30 City Road, EC1Y 2AY 01-638 6070

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
Treasury Acc	11.25	8.41	12.58	Qtr
Mth Int Chq	11.125	8.32	12.56	Mth

Allied Arab Bank Ltd
97-101 Cannon St, London EC4N 5AD 01 283 9111

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
HIBCA	11.50	8.60		mth

Bank of Scotland
38 Threadneedle St EC2P 2EH 01-628 8060

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth

Barclays Prime Account
PO Box 125, Northampton 0604 252891

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
High Int Cheque	11.0	8.25	12.32	Qtr

Britannia Investment Services Ltd.
29 Finsbury Circus, EC2M 5QL 01-588 2777

	Gross	Net	Gr. Equiv. CAR	Int. Cr.
Cater Allen	11.00	8.25	12.20	Mth

NOTES

OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Coal promotion body formed

BY MAURICE SAMUELSON

FIFTEEN of the world's biggest coal producing companies, including Britain's National Coal Board and three private South African companies, yesterday launched an international organisation, based in London, similar to those serving the metal industries.

The organisation, the International Coal Development Institute, said at a Press conference at the NCB's London offices, it was dedicated to extending the use of coal as "the most abundant long term fossil fuel source, adaptable to the widest possible energy requirements."

Among the founders are the French state-owned utility, Charbonnages de France, three companies from Australia, three from the U.S., two from West Germany, and one from British Columbia. It is now seeking new members, in the Communist as well as the Western world.

The Institute, which has been registered as a British company, was publicly launched at a Press conference at the National Coal Board's head office, where it will be based until it finds its own accommodation in the Victoria area.

Its first chairman is to be Dr Karl-Heinz Bund, former chairman of Ruhrkohle of West Germany who said it had grown out of conversations he had held with Mr Ian MacGregor, NCB chairman, about 18 months ago. Mr Michael Gilpin, a former marketing executive of the NCB, is its secretary-general.

At the press conference, officials denied that the inclusion of three South African companies was a politically controversial step, insisting that the organisation was strictly non-political, and that they would also like to see the Russians, Poles, Chinese and other Communist coal producers involved.

They also ruled out the possibility that it could become an international cartel, on the lines of the Organisation of Petroleum Producing Countries. While trying to increase the size of the coal market, members would "continue to cut each others' throats for a bigger slice of the cake."

The founders are NCB, BP Coal and Shell Coal International (UK); Amax, Peabody Holding and Pittston Company (U.S.); Apex Mines, Douglas Colliery and Trans-Natal Coal (South Africa); Austen and Butta and Broken Hill Proprietary (Australia); Ruhrkohle and Saarbergwerke (West Germany); Charbonnages de France (France); and Westar Mining (British Columbia, Canada).

Kuala Lumpur reopening is welcomed

ROTTERDAM — The Kuala Lumpur Commodity Exchange (KLCE) appears to have taken sufficient steps to restore confidence and the resumption of palm oil futures trading today is generally welcomed by Rotterdam vegetable oil traders, reports Reuter.

The world's only palm oil futures market has been virtually closed since March 1984 when there was a massive default in contracts representing around 140,000 tonnes.

European traders said at the time of the defaults that the damage to the KLCE's reputation was probably irreparable.

But new rules, including higher paid-up capital requirements from traders, an improved clearing house system and the separation of client accounts, should be enough to get the market back on its feet, they said yesterday.

Traders said there is a genuine need for a palm oil futures market and they expect European-based companies to be prepared to use it along with local producers.

● FLORIDA Governor Mr Bob Graham has asked the Federal Government to declare a disaster area in 33 Florida counties because of damage suffered from tree-killing citrus canker disease.

● NICKEL producer and consumer nations opened a two-week UN conference yesterday in Geneva on setting up an international nickel study group to monitor the world market, improve data and provide a forum for consultations. A UN spokesman said a key issue was whether the new body would be autonomous or merged with the London-based International Lead and Zinc Study Group

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)		
Aluminium	+4,500	to	194,275
Copper	+1,725	to	194,275
Lead	+2,800	to	43,350
Nickel	−714	to	5,328
Tin	+880	to	37,790
Zinc	+7,625	to	39,675
	(ounces)		
Silver	+358,000	to	53,662,000

Shell calls off oil search

SHELL UK has called off its fruitless search for oil and gas less than three miles from Salisbury Cathedral.

The hunt cost the company £1m and was criticised by the Vevy Rev Sydney Evans, cathedral dean, who feared it threatened the foundations of the 750-year-old building.

Shipment problems in Uganda give extra impetus to coffee

BY RICHARD MOONEY

CONCERN ABOUT Ugandan shipment problems gave extra impetus yesterday to an already-firm coffee market, helping to push nearby positions on the London futures market up by nearly £100 a tonne.

Worries about drought damage to the Brazilian crop continued to provide the market's basic strength but yesterday's sudden upsurge was largely due to confirmation of pre-weekend reports that Uganda was having difficulty getting its coffee to the ports and a Government admission that it might not be able to fulfil its export quota under the International Coffee Agreement (ICA).

A trade report from Nairobi that no coffee shipments had reached Kampala, the Ugandan capital, for three weeks was confirmed over the weekend by the Minister of Co-operatives and Marketing, Mr Evaristo Nyanzi.

He said in a radio interview that the capture by the National Resistance Army several weeks ago of Masaka had severed the key route for the movement of coffee from the western region. That region grows the robusta coffee that accounts for 95 per cent of Uganda's exports and provides virtually its only source of foreign exchange. The Minister also said there had been looting of coffee depots by the rebels.

Under the ICA Uganda has an export quota of 2.465m bags (60 kilos each) out of a global quota of 58m bags. There are fears that the coffee not reaching Kampala was being smuggled into neighbouring Rwanda for sale outside the ICA quota

Maldives to offer tuna licences

BY LARRY KLINGER

THE REPUBLIC of Maldives, the island chain which spans 90,000 sq m in the Indian Ocean southwest of Sri Lanka, expects to open negotiations next month to license other countries to fish its rich tuna grounds for the first time.

Initial talks will be with France and Spain but the offer to fish the Maldives' 200-mile exclusive zone is open to all countries, President Maumoon Abdul Gayoom said in an interview in London at the weekend. "There have been lots of inquiries," he said.

Net trawling would be prohibited but line techniques allowed. The Maldives would expect a royalty of around 10 per cent based on the U.S. West Coast landing price. The catch in the first year of any agreement would be limited to a maximum of 40,000 tonnes.

Fishing by foreign fleets would also be restricted to outside 75 miles from the Maldives' shorelines, near to which are both the tuna breeding grounds and the areas worked by the fishing-dependent local population.

Tuna resources have not been quantified, but an abundance of mature fish in the 75-to-200-mile zone has been established through, ironically, an examination of catches recently confiscated from poachers, President Gayoom said. Studies are in train to specify fishable resources through the UN's Food and Agriculture Organisation (FAO) and the Bay of Bengal Fisheries Commission, which, in addition to the Maldives, comprises India, Sri Lanka and Bangladesh.

The fishing industry accounts for 18 per cent of the Republic's gross domestic product and employs about 40 per cent of the country's labour force. It is the Maldives' second most important source of foreign exchange, behind only tourism.

Bumper U.S. crop will keep peanut prices low

BY RICHARD MOONEY

ANOTHER BUMPER U.S. peanuts crop this year will keep world prices at historically low levels, Man Producten, the Rotterdam trader, says in its latest market report.

Though the area planted to peanuts in the U.S. is estimated to be slightly down from 1984 excellent weather has kept yields high and Man Producten expects the crop to total 2.12m short tons, a level only exceeded by the 1984 record of 2.21m short tons.

But more of the crop is likely to be available to the market, the report predicts, because the "buy back" procedure used to Protect American peanut farmers' incomes is less commercially attratcive than it was last year. It forecasts 1985/86 U.S. exports at between 330,000 and 390,000 tonnes, compared with 240,000-250,000 tonnes in 1984/85.

With exports from other supplying countries projected to remain at last year's levels total supply available to the market in 1985/86 is put at between 565,000 and 700,000 tonnes, up from 485,000-545,000 tonnes.

Meanwhile world demand is expected to remain at last year's level of 540,000 tonnes.

The resulting substantial surplus, which seems inevitable unless adverse weather hits the Virginia crop in the next few weeks, is expected to keep prices low, Man Producten says.

At around $600 a tonne prices are currently at the lowest level for more than 10 years and only about a quarter of the peak level reached in 1980.

Quality tea dearer at London auction

By Our Commodities Staff

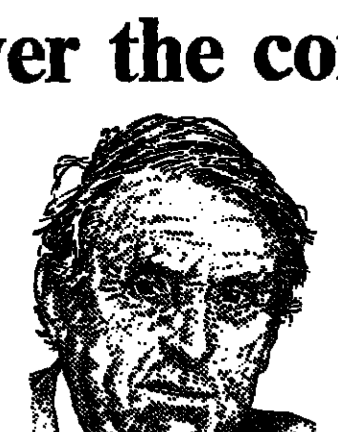
THERE WAS a mixed price trend at yesterday's weekly London tea auction. Top grade teas were dearer but lower quality offerings drifted lower. The average price for quality grade tea was 175p a kilo, up from 165p at last week's sale. Medium grade was 5p cheaper at 139p a kilo while low medium grade declined 3p to 102p a kilo.

There were 29,056 packages on offer, including 400 in the offshore section.

The Tea Brokers' Association of London said there was a strong market for Assams with "good liquoring sorts" dearer. The few quality Assams on offer fetched 10p to 20p more than at last week's auction.

Clouds gather over the corn fields

Farmer's viewpoint: By John Cherrington



I HAVE been spending the last few days in Western Scotland amid scenes of incredible beauty of hill, mountain, river and moor. But all around me are the remains of what was two centuries ago a viable rural society. There are still the ruins of houses and stables, field boundaries and abandoned fields.

This destruction was the result of economic forces in a difficult farming area. Other areas took its place and this land became redundant—just as redundant as today some mines, steel works and factories are finding themselves. And it could happen to farming nearer home. For that reason, although no longer a dairy farmer, I view the latest EEC proposal to control the dairy surplus with a good deal of concern in case the principle spreads to other sectors. In essence it means a terminal quota for milk. The farmer who accepts the offer of a sum estimated at 25p a litre, say £1,400 per cow paid over seven years, will effectively be denying anyone else the right to milk cows on that farm as long as quota restrictions last.

As milk output in the Community is still running at 12 per cent over consumption a relief from these restrictions is a long way off. The UK Government is running a similar scheme but with the significant difference that the quota is re-allocated to suitable farmers in Britain.

There is also a certain amount of transference of quotas between individual farms which is usually tied to areas of land.

In the case of tenanted farms landlords are very worried that once the farmer has sold or otherwise disposed of his quota the farm essentially laid out for dairying would certainly lose much of its value both for rental and for sale.

This attachment of quotas to the land alone has naturally upset farmers who claim that by milking cows on a farm over many years they have gained an interest in the capital value of the milk quota. Previously this issue was never in question as there were no restrictions on milk production on any farm in the UK.

It must be said that most dairy farmers have accepted the need for quotas as being the only way out of the surplus situation. With them they at least know where they stand, as many have told me. Only a very small minority still favour the alternative of price restraint, as a means of controlling production, although it is enthusiastically promoted by Mr Michael Jopling, the Minister of Agriculture.

I have not myself yet met a farmer in favour of the price restraint policy.

As the luckless agent for imposing quotas Mr Jopling has become rather unfairly the most unpopular Minister of Agriculture that I can remember. But what farmers still cannot accept is that they are subject to the EEC's common agricultural policy and not to a British farm policy, which actually could have turned out a good deal worse for them.

The new milk quota exercise is aimed eventually at removing the 12 to 15 per cent surplus dairy capacity from Europe's farmers. It would mean one cow in every seven becoming redundant. There are now proposals for cutting cereal output by something like the same proportion. The quota threat is muted now, and is only mentioned as an addendum to a reecnt document, Perspectives in Agriculture, issued by the EEC. Again Mr Jopling and the National Farmers' Union talk of price restraint. But already some farmers believe that physical restrictions on output ae inevitable.

It is too early to define the measures to be used but the UK would be particularly vulnerable to them because of the vast cereal surpluses being accumulated here. They are mainly of a type of wheat unsaleable on world markets even with huge subsidies. In these circumstances the long-term outlook for farming generally is very serious. British farming is efficient in the sense that it has lowered unit costs by increasing production. Once a limit is placed on physical production the only road to cost reduction is attacking the fixed costs of land, machinery and labour. There is no mileage in alternative crops as most are already in embarrassing surplus.

Fortunately British farmers are not as indebted as their U.S. counterparts and if a real squeeze came they could turn to their creditors, the banks, landlords and suppliers and seek practical sympathy in the form of lower interest rates, rents and prices.

This is already happening in the U.S. where the creditors re having to write off loans. If these creditors dispossessed their debtors they would risk devaluing the collateral of the securities which they siezed.

I wonder if many farmers or landlords ar creditors realise that between 10 and 20 per cent of farming's productive assets are in danger of being made redundant as a result of Community policies. That some in the industry are seeing the danger is shown by the large number of farms for sale but as yet unsold. The decline in rent increases reported and general drop in machinery sales. Undoubtedly a change ment is on the way slowly now but it could soon gather momentum.

LONDON MARKETS

COPPER prices on the London Metal Exchange fell sharply yesterday in thin trading as sentiment reflected nervousness about the tin market crisis. Currency factors and a lower trend in the New York market also played a part in pushing cash higher grade copper down £21 to £968 a tonne. The cash discount against the three months position widened by £1.75 to £17.25 a tonne, suggesting an easing in the concern about the nearby supply situation which boosted values last week. Other base metals prices were also lower with cash lead losing £4.75 to £272.75 a tonne, cash zinc falling £10 to £415.50 a tonne, a new 33-month low, and cash aluminium falling £8 to £671.50 a tonne. Only nickel was a little firmer, reflecting increased manufacturer buying.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	672-2	−8	—
3 months	694.5-5	−6.5	701/693

Official closing (am): Cash 673-.5 (678-7), three months 696-.5 (698-.5), settlement 673.5 (677). Final Kerb close: 696-6.5. Turnover: 30,625 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	967.5-8.5	−21	968/967.5
3 months	985 .5	−19.25	999/984

Official closing (am): Cash 986.5-7.5 (988.5-9.5), three months 984-5 (1003-.5), settlement 987.5 (989.5). Final Kerb close: 985-6.

Cathodes			
Cash	947 9	−21	—
3 months	971 4	−17.25	972/971

Official closing (am): Cash 947-50 (966-8), three months 972.5-3.5 (988.5-9), settlement 950 (968). Turnover: 22,400 tonnes. U.S. Producer prices 66.50-70 cents per lb.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	272.5-3	−4.75	273.5/272.5
3 months	276-.25	−5.13	281/276.25

(278.5-7.5), three months 286.75-7 (279-80), settlement 273.5 (277.5). Final Kerb close: 277.5-78. Turnover: 11,525 tonnes. U.S. Spot: 18.50-20 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	2940-5	+5	2950/2930
3 months	2940-5	+17.5	2975/2930

Official closing (am): Cash 2980-90 (2950-5), three months 2955-60 (2930-5), settlement 2990 (2955). Final Kerb close: 2920-30. Turnover: 1,152 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	—	—	—
3 months	—	—	—

Official closing (am): Cash — (—), three months — (—), settlement

Standard			
Cash	—	—	—
3 months	—	—	—

Official closing (am): Cash — (—), three months — (—), settlement

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	415-6	−10	—
3 months	426-7	−5.25	437/428.5

Official closing (am): Cash 417-8 (423-.5), three months 427-.5 (431.5-2), settlement 418 (423.5). Final Kerb close: 430-1. Turnover: 26,400 tonnes. U.S. Prime Western: 38-38.75 cents per lb.

GOLD

Gold was extremely quiet and dull on the London bullion market yesterday. The metal gained $1 to $326½-327, but trading was within a very narrow range, opening at $326½-327, which was also the high of the day, and touching a low of $326-326½. It was fixed at $326½ in the morning and afternoon.

GOLD BULLION (fine ounce) Oct. 28

Close	$326½-327	(£228¾ 229¼)
Opening	$326½-327	(£228¾-229¼)
M'n'g fix	$326.50	(£228.962)
Aft'n'n fix	$326.00	(£229.010)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$329 329½	(£230½ 230¾)
½ Krug.	$175¼-175¾	(£121¼ 121¾)
¼ Krug.	$88¼-88¾	(£61¾ 62¼)
1/10 Krug.	$36¼ 36¾	(£25¼-25¾)
Mapleleaf	$336¼ 337	(£235¼-236)
Angel	$332-336	(£233½-235½)
1/10 Angel	$32½-37½	(£22¾-26¼)
New Sov.	$78¾-79¼	(£54¼-55½)
½New Sov	$46¾ 47¼	(£32¾ 33)
Old Sov.	$80-81¼	(£56-57)
$20 Eagle	$460 500	(£322¼ 350¼)
Noble Plat	$345½-349½	(£241¾-244½)

SILVER

Silver was fixed 0.15p an ounce lower for spot delivery in the London bullion market yesterday at 432.25p. US cent equivalents of the fixing levels were: spot 615.5c, down 0.7c; three-month 627.2c, down 0.25c; six-month 639.75c, unchanged; and 12-month 657c, up 0.9c. The metal opened at 431½-434p (616-619c) and closed at 432-435p (617-620c).

SILVER per troy	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	432.25p	−0.15	432.60p	+1.50
3 months	444.15p	+0.80	445.00p	+1.50
6 months	456.10p	+0.80	—	—
12 months	480.05p	+1.45	—	—

LME—Turnover: 45 (31) lots of 10,000 ozs.

Morning: Large three months high 445.5, low 444.5. Final Kerb high 445, low 443.

INDICES

FINANCIAL TIMES

Oct. 28	Oct. 25	M'th ago	Year ago
—*	—*	251.12	292.38

(Base: July 1 1952=100)

REUTERS

Oct. 28	Oct. 25	M'th ago	Year ago
1716.4	1718.4	1699.8	1902.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct. 24	Oct. 23	Month ago	Year ago
Spot	117.09	116.97	—	124.49
Fut.	120.33	119.07	—	127.33

(Base: December 31 1931=100)

*Not available due to suspension of trade in tin on the LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 28 1985	+ or —	Month ago
METALS			
Aluminium	£1100	......	£1100
Free Mkt.	$1090/20	......	$1000/20
Copper			
Cash h Grade	£968	−21	£961.5
3 mths	£985.25	−19.25	£987.75
Gold Troy oz	$326.75	+1	$325.25
Lead Cash	£272.75	−4.75	£276.12
3 mths	£276.12	−5.13	£285.37
Nickel			
Free Mkt.	190/218c	......	185/218c
Palladium oz	$104.75	+2.25	$98.25
Platinum oz	$336.00	+15.25	$307
Quicksilver†	$265/275	......	$270/288
Silver troy oz	432.25p	−0.15	431.35p
3 months	444.15p	+0.80	443.25p
Tin cash	‡	......	£8717.5
3 months	‡	......	£8662.5
Tungsten	$70.73	......	$70.68
Wolfram 22.0lb	$62/68	......	$64/68
Zinc	£415.5	−10	£477
3 months	£426.5	−5.5	£474.75
Producers	$760	......	$780
OILS			
Coconut (Phil)	$435x	......	$435
Palm Malayan	$362.5u	......	$360
SEEDS			
Copra Phil	$285x	......	$300
Soyabean (U.S.)	$210.50v	−2.70	$218.25
GRAINS			
Barley Fut. Jan.	£109.15	+0.10	£109.40
Maize	£135.50v	......	£131.80
Wheat Fut. Jan.	£109 00	+0.10	£109.30
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1723.5	−20	£1786
Coffee Ft. Jan.	£1883.5	+95.5	£1642.5
Cotton A Index	48.35c	......	61.30c
Gas Oil Dec.	$265.50	+4.50	$258.75
Rubber (kilo)	57p	......	58.00p
Sugar (raw)	$129x	−1	$131
Wooltops 64s	414p kilo	......	425p kilo

‡ Unquoted. x Oct-Nov. w Nov-Dec. v Nov. u Dec. † per 75 lb flask. c Cents per pound.

COCOA

Although only marginally lower on the opening call futures lost further ground during the day and closed near the lows. No physical interest from either producers or consumers was apparent, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Dec.	1686-1687	−16.5	1704-1683
March	1723-1724	−20.0	1746-1722
May	1746-1747	−14.0	1763-1745
July	1763-1764	−14.0	1777-1762
Sept.	1785-1790	−8.0	1795-1784
Dec.	1770-1775	−16.5	1781-1780
Mar.	1780-1795	−17.5	1800-1800

Sales: 4,309 (1,786) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for October 28: 104.83 (105.71); five-day average for October 29: 105.92 (106.19).

COFFEE

Drought fears over next year's Brazilian crop continued to fuel a firm London market, reports Drexel, Burnham, Lambert. Early morning activity was well traded with values consolidating basis January around £1,800. A limit up situation in New York sparked yet further increases and at the end of another busy session values were £81-117 higher.

COFFEE	Yesterdy's Close	+ or —	Business Done
Nov.	1828-32	+81.0	1846-1748
Jan.	1882 85	+95.5	1892-1793
March	1917-25	+110.5	1930-1820
May	1945 48	+116.5	1945-1855
July	1955-80	+108.5	1956-1825
Sept.	1960-80	+87.5	1901-1900
Nov.	1950-050	+105.0	—

Sales: 8,704 (10,706) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for Oct 25: Comp. daily 1979 131.80 (131.64); 15-day average 123.97 (123.20).

FREIGHT FUTURES

A lack of information on the physical market led to a quiet day on Freight Futures, with levels easing slightly over the majority of both sessions. The October position sat at a four-point discount to the spot index, but January saw slightly more pressure, dropping to 896 at one stage. Closing levels were slightly improved on the close, reports Clarkson Wolff. The Baltic Freight Index was 902.0 down 0.5 points.

	Close	High/Low	Prev.
Oct.	898/899	896/898	898/899
Jan.	899/901	896/901	902/903
April	955/957	953/957	960/964
July	880/975	—	960/962.5
Oct.	930 935	930	925/929
Jan.	956/980	—	950/990
April	1020/1070	—	1020/1080
July	920/960	—	920/950

Turnover: 74 (127).

GRAINS

Both markets drifted in the morning session in extremely thin featureless trade. Values improved late in the day on good buying interest to close steady, registering gains of 10-20p on the day, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterdys close	+ or —
Nov.	106.15	−0.05	106.15	+0.15
Jan.	109.00	+0.10	109.15	+0.10
Mar.	111.65	+0.05	112.80	+0.20
May	114.70	+0.10	114.10	—
July	117.55	+0.15	—	—
Sept.	97.25	—	97.35	—

Business done—Wheat: Nov 106.15-6.05; Jan 109.00-8.90, March 111.85-8.80, May 114.50 only. Sales: 108 lots of 100 tonnes. Barley: Nov 105.90-5.80, Jan 109.10-9.00, March 112.00-1.70, May 114.10-3.90. Sales: 65 lots of 100 tonnes.

LONDON GRAINS—U.S. Dark Northern Spring No 1 15 per cent, Dec 134.25, Jan 136, Feb 138.75, transhipment East Coast, U.S. No 2 Soft Red Winter, Nov 114.75, Dec 115.75, Jan 118, Feb 119.25. EC French, Nov 124.50. English Feed fob, Spot 109, seller, Nov 109 25-109.50, Dec 110-111, Jan 115.50-12.00, Jan/Mar 112.50-113.50, April/June 17.00-117.50, buyer/sellers, East Coast. Maize: U.S. No 3 Yellow/French, transhipment East Coast, Nov 135.50, seler. Barley: English Feed fob, Spot 107, buyer, first half Nov 108.50, buyer, Nov 109.00-109.50, Dec 110.75-111.25, buyer/sellers, Jan 113.50, seler, Jan/Mar 114.25-114.50, buyer/seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed wheat: Eastern 104.30, E. Mids 104.50, N. East 105.30, Scotland 104.40. Feed barley: Eastern 103.30, Scotland 100.40. The UK monetary coefficient for the week beginning Monday November 4 (based on HGCA calculations using four days exchange rates) is expected to remain unchanged.

U.S. MARKETS

PRECIOUS METALS traded in a featureless fashion on a general lack of fresh economic news although scattered support was noted from the crisis in South Africa and dollar weakness, reports Heinold Commodities. Copper and aluminium weakened on a build up in LME sticks along with continuing concerns over the suspension of tin trading on the LME. Sugar firmed on concerns over dry weather in Brail cutting sugar cane yields along with buying tender by India. Coffee traded limit up bid on the revision upward of damage in Brail along with the lack of shipments from Uganda. Cocoa moved sharply lower on reports the Ivory Coast crop appears larger than current expectations.

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	High	Low	Prev
Oct	4275	—	—	4300
Nov	4285	—	—	4275
Dec	4320	4335	4310	4345
Jan	4355	—	—	4380
March	4430	4450	4435	4455
May	4500	—	—	4525
July	4570	4575	4575	4596
Sept	4640	—	—	4665
Dec	4745	—	—	4770
Jan	4780	—	—	4805

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2093	2140	2092	2156
March	2192	2235	2191	2245
May	2242	2279	2240	2293
July	2300	2304	2295	2322
Sept	2305	2321	2305	2343
Dec	2340	—	—	2343
March	2360	—	—	2343

COFFEE "C" 37,000 lbs; cents/lbs

	Close	High	Low	Prev
Dec	158.94	159.90	154.00	152.74
March	156.20	156.20	153.75	152.20
May	155.93	155.93	153.25	151.93
July	155.75	155.75	153.05	151.75
Sept	16.00	156.00	153.50	152.00
Dec	156.00	158.00	153.75	152.00

COPPER 25,000 lbs; cents/lbs

	Close	High	Low	Prev
Oct	60.60	—	—	61.60
Nov	60.90	—	—	61.75
Dec	61.30	61.60	61.15	62.15
Jan	61.55	—	—	62.40
March	62.10	62.40	62.00	62.86
May	62.40	62.60	62.30	63.10
July	62.65	63.00	62.55	63.35
Sept	62.95	62.95	62.95	63.60
Dec	63.55	63.75	63.60	64.20
Jan	63.75	—	—	64.40

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	61.20	61.24	60.40	60.39
March	61.65	61.70	60.72	60.70
May	61.50	61.55	61.00	61.02
July	59.05	59.09	58.65	58.75
Oct	52.80	52.98	52.80	52.67
Dec	51.59	51.60	51.30	51.25
March	51.80	—	—	51.75

CRUDE OIL (LIGHT) 42,000 U.S. gallons; $/barrels

	Close	High	Low	Prev
Dec	30.01	30.02	29.75	29.65
Jan	29.10	29.11	28.89	28.76
Feb	28.39	28.40	28.22	28.09
March	27.77	27.80	27.65	27.48
April	27.25	27.29	27.10	26.99
May	26.85	26.85	26.65	26.53
June	26.45	26.45	26.24	26.09
July	26.08	26.10	26.00	25.74
Aug	25.46	25.77	25.77	25.46
Sept	25.60	25.60	25.56	25.28

GOLD 100 troy oz; $/ troy oz

	Close	High	Low	Prev
Oct	326.6	327.0	326.5	326.9
Nov	326.9	—	—	327.4
Dec	328.9	329.3	328.5	329.4
Feb	333.1	333.4	332.9	33.6
April	337.1	337.4	336.7	37.6
June	41.4	341.6	341.6	342.0
Aug	346.0	346.5	345.8	346.6
Oct	350.8	—	—	351.4
Dec	355.6	—	—	356.2
Feb	360.7	—	—	361.3
April	366.0	—	—	366.6
June	371.7	—	—	372.3
Aug	377.5	377.6	377.6	378.1

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Nov	87.30	87.35	86.20	85.70
Dec	87.65	87.90	86.70	86.21
Jan	87.35	87.45	86.60	86.01
Feb	85.85	86.60	85.20	84.65
March	81.10	81.20	80.50	79.87
April	77.20	77.30	76.70	76.28
May	74.20	74.25	74.00	73.72
June	73.60	—	—	73.60
July	73.60	—	—	73.60
Aug	73.60	—	—	73.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	High	Low	Prev
Nov	114 75	114 75	113.75	113.85
Jan	114.75	114.80	113.80	114.80
March	114 70	114 90	113 70	115.00
May	114.05	114.50	113.75	114.85
July	114.05	114.05	113.70	113.90
Sept	113.50	113.00	113.00	112.45
Nov	114.00	—	—	113.70
Jan	114.00	—	—	—
March	114.50	114.50	114.50	114.75

PLATINUM 50 troy oz; $/troy oz

	Close	High	Low	Prev
Oct	335 3	340.0	338.0	336.7
Nov	—	—	—	337.2
Dec	—	—	—	338.7
Jan	338.3	341.8	336.8	342 4
April	341.7	345.0	339.5	345.9
July	344.6	348.0	344 5	349.4
Oct	348.1	351.0	348.0	

SILVER 5,000 troy oz; cents/troy oz

	Close	High	Low	Prev
Oct	617.4	—	—	619.0
Nov	618.3	—	—	619.8
Dec	622.3	624.0	621.5	624.0
Jan	628.7	—	—	628.4
March	636.0	637.0	634.0	638.7
May	643.8	645.5	643.5	645.5
July	653.0	654.5	653.5	654.7
Sept	662.9	663.0	663.0	664.6
Dec	678.0	680 0	678.0	679.7
Jan	683.3	—	—	685.0

CHICAGO

LIVE CATTLE 40,000 lbs. cents/lb

	Close	High	Low	Prev
Dec	64.46	65.97	64.35	66.39
Feb	61.25	62.90	61.10	62.32
April	60.65	62.00	60.60	61.75
June	60.55	61.80	60.55	61.65
Aug	58.60	60.10	58.55	59.70
Oct	58.00	59.00	58.00	58.95
Dec	59.60	60.20	59.60	60.10

LIVE HOGS 30,000 lbs; cents/lbs

	Close	High	Low	Prev
Dec	45.52	46.35	45.50	46.27
Feb	44.40	45.40	44.35	45.47
April	40.30	40.95	40.25	40.90
June	42.65	53.10	52.55	53.06
July	43.12	43.70	43.10	43.62
Aug	42.70	42 90	42.55	42 80
Oct	39.57	39.85	39.25	39.97
Dec	41.25	41.25	41.25	41.85
Feb	40.55	40.55	40.45	40 55

MAIZE 5,000 bu min; cents/56-lb bushel

	Close	High	Low	Prev
Dec	222.6	224.4	220.2	220.6
March	234.6	236.6	232.4	233.2
May	240.6	242.2	238.6	238.2
July	242.0	244.4	247.2	241.4
Sept	228.6	229.4	228.0	228.4
Dec	223.6	225 0	223.2	223.4
March	232.6	234.4	233 0	223.2

PORK BELLIES 38,000 lbs; cents/lbs

	Close	High	Low	Prev
Feb	61.57	63.20	61.40	63.05
March	61.45	63.30	61.35	63.12
May	62.70	64.45	62.50	64.37
July	62.92	63 95	62.80	63.97
Aug	60.50	61.50	60.45	61.60

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	High	Low	Prev
Jan	5.20	5.22	5.08	5.11
March	5.62	5.67	5.48	5.50
May	5.79	5.83	5 64	5 65
July	5.97	5.98	5.82	5.83
Sept	—	—	—	4.60
Oct	6.25	6.30	6.16	6.15
Jan	6.60	—	—	6.54
March	6.90	6.90	6.80	6.75

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Nov	498.4	503.2	497.4	499.4
Jan	512.2	517.0	510.0	513.0
March	525.4	530.4	524.6	526.2
May	536.4	541.4	535.4	537.2
July	544.6	550.0	543.4	545.4
Aug	544.0	548.4	544.0	544.4
Sept	531.0	535.4	530.0	531.0
Nov	529.0	532.0	527.4	529.0
Jan	541.4	542.4	541.4	541.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	141.7	143.5	139.7	140.4
Jan	143.4	145.0	141.6	142.1
March	146.1	148.0	144.2	144.6
May	147.8	149.5	146.3	146.2
July	149.8	151.0	147.9	148.0
Aug	149.0	150.0	148.5	147.5
Sept	148.0	150.0	147.5	146.8
Oct	146.5	146.5	146.0	144.7
Dec	148.4	148.5	146.5	145.7
Jan	148.0	—	—	146.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	19.28	19.60	19.26	19.48
Jan	19.43	19.75	19.42	19.63
March	19.80	20.05	19.77	19.97
May	20.19	20.41	20.18	20.38
July	20.55	20.75	20.55	20.65
Aug	20.70	20.75	20.70	20.75
Sept	20.67	20.75	20.67	20.67
Oct	20.55	20.65	20.50	20.35
Dec	20.61	20.72	20.55	20.40
Jan	20.56	—	—	20.40

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Dec	317.4	323.2	317.0	319.4
March	324.0	329.2	323.4	326.2
May	311.0	316.0	310.2	313.2
July	289.4	292.2	289.4	291.4
Sept	292.2	295.0	292.2	293.0
Dec	305.0	—	—	304.4

MEAT

PIGMEAT—Prices remained at recent levels in very thin trading conditions, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Nov.	118.90	118.90	118.9-118.9
Feb.	101.90	102.00	102.0-102.0
April	103.40	105.50	105.7-105.7
June	101.90	101.50	101.7-101.7
Aug.	99.50	99.60	100.0-100.0
Oct.	105.00	105.20	—

Sales: 5 (44) lots of 50 carcases, 3.250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 94.30p per kg lw (−0.53): GB—Sheep 155.38p per kg. est dcw (−8.10): GB—Pigs 83.63p per kg lw (+1.41).

POTATOES

The market opened 40-60p stronger following an improved Dutch quotation lower than the expected UK processed (raw equivalent) import figure to date, and continued strength in physical market for good quality material. However, at £78.00 and above basis April keen selling interest throughout the morning contained the rally, and the afternoon saw a sharp dip in thin volume of over £1.40 with heavy volume only traded at, and below £77, with especially keen interest at £76.50 chart point, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	63.50	64.20	65.40-63.50
Feb	66.50	67.20	—
Apr	76.50	77.40	76.20-75.50
May	82.60	83.50	83.90-82.60

Sales: 505 (206) lots of 40 tonnes.

SOYABEAN MEAL

The market opened unchanged in quiet trading, reports T. G. Roddick. Prices remained on the defensive throughout the day until some late commission house buying pushed values to close the market on the

	Yesterday close £ per tonne	+ or —	Business Done
Dec.	125.8 125.9	+0.55	126.0-24.50
Feb.	127.2-127.5	−0.85	126.8-26.8
Apr.	126.5-126.8	+1.05	125.7-25.7
June	124.8-126.2	+0.15	—
August	125.8-126.8	+0.40	124.8-24.8
October	127.0 127.5	+0.50	—
Dec.	128.0-130.0	+0.50	—

Sales: 141 (208) lots of 20 tonnes.

COTTON

LIVERPOOL — Spot and shipment sales ranged over numerous types including West African, Pakistani, Chinese, Spanish, American, Australian, Turkish, Colombian and Russian growths.

SUGAR

LONDON DAILY PRICE—Raw sugar $129.00 (£90.50), down $1.00 (down £0 60) a tonne for October-November delivery. White sugar $169.50, unchanged.

No. 6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Dec.	159.2-155.4	156.0-158.8	159.4-156.2
Mar.	149.6-149.6	146.8-146.0	149.8-146.8
May	152.6-153.8	149.0-149.8	152.4-150.0
Aug	157.8-156.6	154.0-155.6	—
Oct.	163.4-163.8	160.6-160.8	164.8-161.4

Sales: 1,681 (448) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £193.00 (£194 00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for Oct 25: Daily price 5.01 (4.97); 15-day average 4.93 (same).

OIL

Brent traded actively at rising prices, prompted by firm gasoil futures. Nymex WTI opened 10 cents up for December and traded 25 cents up at 1.30 pm EST after peaking during the morning at 37 cents up. Within the petroleum products market gasoil prices firmed on short covering demand, strong futures and bullish market sentiment. This in turn pulled up naphtha prices. Despite slightly higher barge demand, highest cargo prices remained stable in NWE, Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Nov.		
Arab Light	27.70 27.85	—
Arab Heavy	25.55-25.65	—
Dubai	26.55 28.70*	+0.15
Brent Blend	29.00-29.10	+0.35
W.T.I. (1pm est)	29.90-30.00*	+0.45
Forcados (Nigeria)	29.00-29.25	N/A
Urals (cif NWE)	27.95-27.80	N/A
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	278-280	—
Gas Oil	258-259	+4
Heavy fuel oil	134-136	—
Naphtha	244 246	+2

* December Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
Nov.	270.00	+7.75	270.00-66.25
Dec	265.50	+4.50	266.50-61.75
Jan.	263.75	+4.75	264.75-59.50
Feb.	258.50	+4.00	258.25-56.50
Mar.	250.25	+3.75	250.75-48.00
Apr	242.75	+3.50	242.75-41.25
May	236.50	+2.75	236.00-35.25

Turnover: 2,708 (1,701) lots of 100 tonnes.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

New tactics weaken dollar

Introduction of new tactics by the central banks made the foreign exchange market pause for thought yesterday. After rising sharply in New York on Friday, when the dollar approached DM 2.66, there was a general retreat yesterday, led by the latest moves from the Bank of Japan and the German Bundesbank.

In Tokyo the Japanese central bank maintained the upward pressure on short-term interest rates, leading to demand for the yen and higher yields on Government bonds. The Bank of Japan also sold dollars against the yen, while the Bundesbank intervened in the forward market to push up Euromark deposit rates. The German central bank did not intervene in spot trading on the open market, or at the Frankfurt fixing, but was reported to have sold the equivalent of about DM 4bn in forward dollar contracts, although market estimates varied quite widely over the figure. Euromark rates rose by about 1/16 per cent, helping to offset any tendency for funds to flow out of Frankfurt into Tokyo as a result of the upward pressure on Japanese rates.

the dollar fell to DM 2.6430 from DM 6.6530; FFr 8.0550 from FFr 8.0850; SwFr 2.1670 from SwFr 2.1720; and Y213.50 from Y214.80.

On Bank of England figures the dollar's index fell to 130.6 from 130.8.

Dealers feared the moves on interest rates by the Bank of Japan and Bundesbank might mark a further line of strategy to weaken the dollar, decided at the Group of Five meeting.

STERLING — Trading range against the dollar in 1985 is 1.4400 to 1.0525. September average 1.3657. Exchange rate index rose 0.1 to 80.6. It also opened at 80.6 and remained at that level for most of the day, falling to a low of 80.4 at noon.

Sterling was on the sidelines. It gained ½ cent to $1.4270-1.4280, and showed small mixed changes against other currencies, falling to DM 3.7725 from DM 3.7750; FFr 11.4975 from FFr 11.40; and Y304.75 from Y305.50, but improving to SwFr 3.0925 from SwFr 3.09. High London interest rates continued to support the pound, but this was offset by the fears voiced by the Confederation of British Industry about the damage caused by the strength of sterling to the UK's export performance.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.6190. September average 2.8370. Exchange rate index 127.8 against 121.1 six months ago.

The D-mark improved slightly against the dollar after the Bundesbank intervened heavily in the forward currency market, selling dollars and buying D-marks for four-day maturities, to keep German interest rates firm across the month end. This had the effect of increasing Euromark rates, but was also aimed at keeping domestic interest rates up, as increased liquidity pushed call money down to 4.35 per cent on the Frankfurt money market from 4.45 per cent on Friday. The dollar fell to DM 2.6430 at the Frankfurt close from DM 2.6470 previously. The Bundesbank was not seen on the open market, and did not intervene at the Frankfurt fixing, when the dollar was little changed at DM 2.6458 compared with DM 2.6455 on Friday. Higher Japanese interest rates led to a rise in the yen to DM 1.2380 per 100 yen from DM 1.2305.

£ IN NEW YORK

	Oct. 28	Prev. close
£ Spot	$1.4267-4277	$ 1.4215-4225
1 month	0.44-0.41 pm	0.43-0.42 pm
3 months	1.21-1.16 pm	1.18-1.16 pm
12 months	3.45-3.30 pm	3.40-3.33 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

October 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4215-1.4285	1.4270-1.4280	0.42-0.39c pm	3.40	1.21-1.17 pm	3.33
Canada	1.9415-1.9520	1.9493-1.9520	0.52-0.43c pm	2.92	1.43-1.28 pm	2.78
Nethlnd.	4.24¾-4.26¾	4.25-4.26	2-1¾c pm	5.29	5⅝-5⅜ pm	5.23
Belgium	76.18-76.50	76.40-76.50	22-16c pm	2.98	60-51 pm	2.90
Denmark	13.63¾-13.68¾	13.67½-13.68½	2¾-2¼ore pm	2.14	7¾-6½ pm	2.12
Ireland	1.2170-1.2200	1.2175-1.2185	0.24-0.10p pm	1.67	0.68-0.37 pm	1.72
W. Ger.	3.76-3.77¾	3.76¾-3.77¾	2¼-2pf pm	6.76	6⅞-6 pm	6.66

CURRENCY MOVEMENTS

Oct. 28	Bank of England Index	Morgan Guaranty Change %
Sterling	80.6	−9.7
U.S. dollar	130.6	+18.6
Canadian dollar	84.0	−8.7
Austrian schilling	118.4	+5.1
Belgian franc	91.9	−9.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 9¼-9½ per cent; three years 9¾-10 per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Eurodollars firmer

Eurodollar contracts finished the day on a firmer note in the London International Financial Futures Exchange yesterday. The December price opened at 91.80 and rose to 91.81. However there was good selling at this level and values were marked down to 91.77. This in turn attracted renewed buying and prices finished at the day's high of 91.82. The firmer trend came despite a rather depressed U.S. bond market as there were suggestions of a possible cut in the U.S. discount rate once again.

U.S. bonds finished above the day's lows but failed to recoup all of the early losses. Values were quoted below a support level of 76-10 but came back to 76-17 still down from an opening of 76-21.

A sharp increase in Japanese interest rates provided food for thought with dealers suggesting that the Bank of Japan was using the prospect of a higher rate structure to improve the value of the yen against the dollar. Bond prices in Japan continued to lose ground, prompting the authorities to increase the price limit on daily movement to three points from one point in order to allow prices to match the downward pace in cash instruments.

Short sterling prices were marked lower on news that the Bank of England was to decrease the amount available through temporary facilities to commercial banks by not renewing an expiring credit facility. After an opening level of 88.67, the December price touched a low of 88.54 before recouping most of the day's losses to finish at 88.65, still down from Friday's close of 88.68.

Gilt prices were also lower soon after the start of trading but recovered on short covering to finish above the day's lows but still well down from Friday.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4275	1.4235	1.4156	1.4061	1.3833

IMM-STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4205	1.4220	1.4170	1.4145
March	1.4105	1.4120	1.4060	1.4045
June	1.4035	1.4040	1.4035	1.3965

MONEY MARKETS

UK rates slightly higher

Interest rates were marked up in London yesterday. Trading was quiet for much of the time but higher rates in Tokyo and recent suggestions that higher interest rates may be used to control currency movements tended to push period rates a little higher. Three-month interbank money was quoted at 11 7/16-11 11/32 per cent from 11 5/16-11⅜ per cent while three-month eligible bank bills were bid at 11 3/16-11 7/32 per cent up from 11 5/32-11 3/16 per cent. Overnight interbank money opened at 11½-11⅝ per cent and eased to 11¼-11½ per cent before finishing at 12-12½ per cent.

The Bank forecast a shortage of around £1,100m with factors affecting the market including maturing assitance and a take up of Treasury bills together draining £817m and the unwinding of previous salea nd repurchase agreements a further £863m. These were partly offset by Exchequer transactions which added £230m, a fall in the note circulation of £305m and banks' balances brought forward £35m above target.

Early help was given, totalling £368m and comprising purchases of eligible bank bills: £30m in band 1 at 11⅜ per cent, £110m in band 2 at 11 5/16 per cent, £8m in band 3 at 11¼ per cent and £220m in band 4 at 11 3/16 per cent. After a revised shortage of £1,150m, the Bank gave further help in the morning of £228m with purchases of £3m of eligible bank bills in band 1 at 11⅜ per cent and £26m in band 2 at 11 5/16 per cent. In band 3 it bought £4m of local authority bills and £84m of eligible bank bills all at 11¼ per cent and in band 4, £3m of Treasury bills and £108m of eligible bank bills at 11 3/16 per cent. In the afternoon further help totalled £380m, £1m of eligible bank bills in band 1, £297m in band 2 and in band 3 £6m of Treasury bills and £48m of eligible bank bills and in band 4 £28m of eligible bank bills, all at unchanged rates. Late help came to £115m making a total of £1,091m.

The Bank also announced its intention not to renew temporary facilities due to expire on October 31. However, temporary loans maturing on November 4 would be rolled over to December 9. Yesterday's announcement effectively reduces the maximum funds available in this way to £2½bn from £3bn.

Japanese interest rates continued to rise in Tokyo as the Bank of Japan sold Y500bn of 60-day Treasury bills, effectively rolling forward a similar amount of maturing bills. Call money rose to 7.09375 per cent from 6.71875 per cent while three-month bills were higher at 7.53125 per cent from 6.59375 per cent. Commercial banks eagerly sought funds to prepare for traditional end of month and year credit shortages, putting further upward pressure on rates.

UK clearing banks base lending rate 11½ per cent since July 30.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	7⅞

Treasury Bills & Bonds

One month	7.19
Two month	7.34
Three month	7.50
Six month	7.79
One year	8.04
Two year	9.05
Three year	9.23
Four year	9.57
Five year	9.75
Seven year	10.08
10 year	10.27
30 year	10.53

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 28)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/4	offer 8 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

MONEY RATES

Company Notices

Republic of Indonesia

U.S. $75,000,000

Floating Rate Notes Due 1990

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 29th October, 1985 to 29th April, 1986 has been fixed at 8⅝ per cent. per annum and that the coupon amount payable on Coupon No. 7 will be U.S.$4360.42.

Agent Bank

البنك السعودي العالمي المحدود

Saudi International Bank

AL-BANK AL-SAUDI AL-ALAMI LIMITED

WMC FINANCE LIMITED

U.S.$ 50,000,000 15½% Guaranteed Notes due 1988

NOTICE OF EARLY REDEMPTION

On behalf of the Issuer, S.G. Warburg & Co. Ltd. hereby gives notice to holders of the above-mentioned Notes of the Issuer's election in accordance with condition 5(C) of the Notes to redeem all outstanding Notes on 15th December, 1985.

Consequently on 15th December, 1985 there will become due and payable upon each Note, together with all appurtenant coupons maturing subsequent to 15th December, 1985, outstanding 101 per cent. of the principal amount thereof together with accrued interest to said date at the office of:-

S.G. WARBURG & CO. LTD.,
33 King William Street,
London EC4R 9AS

or one of the other paying agents named on the Notes.

Interest will cease to accrue on all outstanding Notes on 15th December, 1985.

29th October, 1985 — S.G. Warburg & Co. Ltd. as Principal Paying Agent

Travel

Lower Your Travel Account

If your annual travel account is in excess of £75,000 per annum we can substantially reduce your travel cost and also provide excellent service.

Write Box H0331, Financial Times, 10 Cannon Street, London EC4P 4BY

Art Galleries

RICHARD GREEN, 4, New Bond Street, W1. 01-493 3939. BRITISH MARITIME PAINTING. Daily 10-6, Sats. 9.30-12.00.

W. H. PATTERSON, 19, Albemarle Street, London W1X 3HA. 01-629 4119. Exhibition of paintings by William Dolphyn, leading Belgian painter of still life. 30th October-9th November. Daily 9.30-6 pm, Sat. 10-1 pm.

CLASSIFIED ADVERTISEMENT RATES

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Commercial & Industrial Property	10.50	36.50
Residential Property	8.00	27.00
Appointments	11.00	37.00
Business, Investment Opportunities	10.50	35.50
Business for Sale/Wanted	10.50	35.50
Personal	8.00	27.00
Motor Cars	8.00	27.00
Hotels & Travel	8.00	27.00
Contracts Tenders	10.50	35.50
Book Publishers	—	net 17.50

Premium positions available £7.00 per single column cm extra

For further details write to:

Classified Advertisement Manager
Financial Times
10, Cannon Street, EC4P 4BY

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 28, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.02
Algeria	Dinar	(A)6.92
Andorra	French Franc	11.53
	Spanish Peseta	231.48
Angola	Kwanza	42.8940
Antigua	E. Caribbean $	3.84
Argentina	Austral	1.1416
Australia	Australian $	2.0385
Austria	Schilling	26.515
Greenland	Danish Kroner	13.68
Grenada	E. Caribbean $	3.84
Guadaloupe	Local Franc	11.4975
Guam	U.S. $	1.4275
Guatemala	Quetzal	1.4275
Guinea	Syli	32.95
Guinea-Bissau	Peso	209.71
Guyana	Guyanese $	5.9890
Haiti	Gourde	7.12
Peru	Sol	exc(A)15,882.4
Philippines	Philippine Peso	25.80
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.5400
Poland	Zloty	215.51
Portugal	Portuguese Escudo	234.0
Puerto Rico	U.S. $	1.4275

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101	99	Exch 11¼pc '86	99	–	11.75	11.46
99¾	97	Treas 10pcCnv 1986	99½	–⅛	10.06	11.44
96½	92¼	Treas 3pc 1986	96 xd	–⅛	3.12	10.57
100	97½	Exch 10¼pc Cv '86	99 xd	–⅛	10.53	11.24
101⅞	99¾	Treas 12pc 1986	100¼	–¼	11.97	11.47
98	94¼	Treas 8½pc 1984-86‡‡	98	–	8.66	11.18
105	102	Exch. 14pc 1986	102⅝ xd	–¼	13.64	11.15
94½	87¼	Exch. 2½pc 1986	94¼ xd	–⅛	2.65	8.28
104	101¼	Exch 13¼pc 1987	102⅜	–¼	12.94	11.02
99	96⅝	Treas 10¼pcCv '87	99	–	10.33	10.85
93¼	85½	Exch 2½pc 1987	92	–	2.70	8.43
100	96¼	Exch. 10½pc 1987	99	–	10.55	10.82
95	89	Funding 6½pc '85-87‡‡	94⅞ xd	–¼	6.85	10.29
99	95½	Treas 10pc 1987	98¼	–¼	10.13	10.83
91¼	84¼	Treas 3pc 1987	91	–⅛	3.29	8.73
102	99¼	Treas. 12pc 1987	102 xd	–	11.76	10.83
95	90¼	Treas 7¾pc 1985-88‡‡	94½	–	8.20	10.42
100	95⅝	Exch 10½pc '88	99⅝ xd	–¼	10.54	10.70
98¼	93¼	Treas 9¾pc Cv '88	97	–¼	9.98	10.76
87	80	Transport 3pc '78-88	86	–¼	3.45	8.56
97¼	91½	Treas. 9½pc '88	96¼	–⅛	9.82	10.80
102¼	97½	Treas 11½pc 1989	102	–	11.27	10.70
97	90¼	Treas 9½pc Cnv. '89	96	–⅛	9.85	10.75
84	79	Treas 3pc 1989	83¼ xd	–	3.58	8.41
99⅞	94	Treas 10½pc 1989	99	–	10.59	10.76
98¼	92	Exch 10pc 1989	97	–⅛	10.24	10.74
101	95	Exch 11pc 1989	100¼	–⅛	10.92	10.75
86¼	79	Treas 5pc 1986-89	85	–⅛	5.82	9.32
108	103¼	Treas 13pc 1990‡‡	107	–⅛	12.04	10.58
101⅝	96	Exch 11pc 1990‡‡	100⅝	–⅛	10.90	10.78
108¼	100¼	Exch 12½pc 1990	106	–⅛	11.76	10.67
80	75¼	Treas 3pc 1990●	80¼ xd	–	3.74	8.38
93¼	87¼	Treas 8¼pc 1987-90‡‡	92¼	–⅛	8.93	10.35
101¼	91⅞	Treas. 10pcCv 1990	97	–½	10.28	10.70
		Five to Fifteen Years				
108⅝	97¼	Treas 11¾pc 1991	107½	–¼	11.31	10.71
87⅝	80	Funding 5¾pc '87-91‡‡	86½	–½	6.68	9.04
105¼	95	Exch. 11pc 1991	101⅝	–¼	10.84	10.65
113¼	101⅝	Treas 12¾pc 1992‡‡	112¼	–¼	11.71	10.72
100	88⅝	Treas 10pc 1992	99¼	–⅛	10.27	10.56
104	94¼	Treas 10½pc Cv 1992‡‡	99½ xd	–⅛	10.57	10.64
110¼	98¼	Exch. 12¼pc '92	108¼	–⅛	11.50	10.85
117¼	105	Exch 13½pc 1992	113⅝	–⅛	12.02	10.91
113¼	101¼	Treas 12½pc 1993‡‡	112¼	–⅛	11.51	10.81
83¼	74⅞	Funding 6pc 1993‡‡	82½	–⅛	7.34	9.31
121⅞	109¾	Treas 13¾pc 1993‡‡	114¼ xd	–½	11.92	10.84
125¼	111¼	Treas 14½pc 1994‡‡	122⅞	–½	12.08	10.78
119⅝	108¼	Exch 13½pc 1994	114¼	–½	11.84	10.92
113¼	100¼	Exch. 12½pc 1994	111⅝	–½	11.46	10.86
95¼	86¼	Treas 9pc 1994‡‡	91 xd	–¼	9.84	10.49
			109½	–½	11.38	10.87

AMERICANS—Cont.

BUILDING, TIMBER, ROADS—Cont.

DRAPERY & STORES—Cont.

ENGINEERING—Continued

HOTELS—Continued

INDUSTRIALS (Miscel.)

ELECTRICALS

CANADIANS

CHEMICALS, PLASTICS

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

BANKS, HP & LEASING

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

DRAPERY AND STORES

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

ENGINEERING

BUILDING, TIMBER, ROADS

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
46	34	Macfarlane (P & W) 20p	44½	....	†1.7	2.3	5.5	9.2
73	46	Magnolia Group	70	....	2.6	3.0	5.0	9.0
48	28	Mainmet Hldgs 10p	44	+2	—	—	—	71.8
480	202	Man. Ship Can. £1	464	....	5.5	3.5	1.7	24.4
104	70	Marley	97	+3	3.75	2.2	5.5	11.7
107	52	Marling Ind. 10p	85	+1	d1.5	5.1	2.5	10.8
82	36	Marshall L'ay. 'A'	71	–1	†2.4	4.9	4.8	5.1
77	55	Marshall's Universal	58xd	+1	†2.0	1.4	4.9	(18.4)
86	78	Do 7½pcCnRedPf £1	82	....	7½%	—	13.1	—
£99	£81	Matheson 7¾%	£89	....	Q7¾%	2.3	18.0	—
35	15	Maxiprint 1p	15	....	—	—	—	—
528	375	Metal Box £1	528	+11	17.25	3.1	4.7	7.9
170	110	Metal Closures	118	–1	6.7	2.0	8.1	7.4
17	3	Metal Sciences 2½p	8	....	—	—	—	—
104	63	Midland Marts	80	+2	4.0	2.1	7.2	9.4
83½	55½	Mitchell Cotts	73½	+1	4.25	♦	8.6	♦
230	182	Morgan Crucible	208	+3	†8.0	1.6	5.6	14.2
33	22	Morris (W) F A. 20p	25	+½	φ0.5	♦	2.9	♦
131	91	Moss (Robt.) 10p	125	–1	3.0	2.5	3.4	13.8
81	60	Myson Grp 10p	60	....	g2.5	3.4	6.1	11.2
328	214	NMW Computers	260	....	†d4.8	2.7	2.6	20.0
43	28	Naah Inds.	30	....	‡2.5	1.5	‡	6.9
48	16	Neill & Spencer 10p	18	....	—	—	—	5.4
44	14½	Newman Inds 10p	29	....	20.3	—	1.9	(13.7)
46	26	Nolton	44	+1	u1.17	♦	3.8	♦
196	146	Norcros	191	+1	8.6	2.2	6.4	9.5
67	45	Nu-Swift 5p	49	–1	†3.0	1.9	8.7	7.9
114	68	Oakwood Grp	105	....	†d4.5	1.4	6.1	(15.4)
250	150	Office & Elect	218xd	+6	†7.5	2.6	4.9	11.2
108	75	Oldacre 20p	95	....	4.0	2.6	6.0	8.4
58	37	Optometrics $0.01	43	+1	w02c	—	3.6	—
495	312½	Oriflame £1	450	....	123.4	1.8	5.2	10.7
18	6	Overstone 12½p	6	–2	—	—	—	—
£192	£158	Ozalid 9pc Cnv 87-92	£187	....	Q3.25c	1.9	14.0	3.7
185	105	PCT Grp 10p	185	....	Q9%	—	14.9	—
£14	850	PLM 'B' Sk 25	950	....	3.2	2.2	6.4	12.7
193	125	PSM Int'l	128	+3	Q21.6%	5.0	4.9	41.1
170	115	Pacer Systems $0.01	138	....	†g6.25	2.5	6.0	8.6
68	50	Pacific Sales 10p	60	....	3.0	2.1	7.1	7.9
256	165	Parker Knoll 'A'	256	....	9.5	2.9	5.3	9.3
167	45	Parkfield Group 5p	167	+2	2.4	2.4	2.1	27.9
80	37	Pawson Ind.	62	–1	—	—	—	—
£190	£101	Do 11pc Cnv '94-02	£143	–2	Q11%	—	7.8	—
378	287½	Pearson	320	+5	†h8.5	3.0	3.8	11.4
29	15	Peek Holdings	15	....	—	—	—	—
94	71	Peerless	88	....	6.3	—	10.2	—
362	98	Pentland 10p	340	+5	h0.87	20.4	0.4	15.3
54	33	Pentos 10p	54	+2½	†0.35	7.7	0.9	14.6

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding *exceptional profits/losses but including estimated extent of offsettable ACT.* Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim, reduced final and/or reduced earnings indicated
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	98	.....	Arnotts	212	.....
Craig & Rose £1	700	.....	CPI Hldgs	63	.....
Finlay Pkg. 5p	54	.....	Carroll Inds.	140	.....
Higsons Brew	235	.....	Dublin Gas	85	.....
Holt (Jos) 25p	715	.....	Hall (R. & H.)	59	.....
IoM Stm. £1	85	–2	Heiton Hldgs.	22	.....
IRISH			Irish Ropes	45	.....
Fund 11¼% 1988	£101⅛	.....	Unidare	112	.....
Nat. 9¾% 84/89	£96¼	.....	For Jacob (W. & R.) see Foods		
Fin 13% 97/02	£107¾	.....			

"Recent Issues" and "Rights" Page 40
(International Edition Page 38)

LONDON STOCK EXCHANGE

MARKET REPORT

Gilt-edged weakness mars active trading session

Second-line equities buoyant

ACCOUNT DEALING DATES

Option * First Dealings	Declarations	Last Dealings	Account Day
Oct 14	Oct 24	Oct 25	Nov 4
Oct 28	Nov 7	Nov 8	Nov 18
Nov 11	Nov 21	Nov 22	Dec 2

* "New-time" dealings may take place from 9.30 am two business days earlier.

The weakness currently affecting most international bond markets spread to London yesterday. Government stocks fell sharply on fears that other members of the Group of Five would follow Japan's recent example and raise short-term interest rates. This would effectively rule out any remaining chance of a cut this year in UK bank base rates.

Recently appearing in need of a new incentive, the Gilt-edged market reacted sharply to bouts of selling which broking houses described as relatively light. Few buyers were around, however, and in nervous trading longer-dated Gilts fell continuously. Losses among longer maturities eventually reached a full point with little sign of a recovery developing. The shorts were also depressed and sustained falls ranging to ½.

While Gilt-edged traders nervously watched each movement appearing on their futures market screens, equity operators were enjoying a different picture. Turnover increased, being dominated by sustained demand for second-line industrial issues and a fresh burst of takeover enthusiasm.

Buyers' appetites for bid situations, either actual or rumoured, were whetted by news of four new offers. Guinness Peat launched a contested bid for Britannia Arrow, while agreed takeovers were made via Ward White's counter bid for Owen Owen and Bunzl's bid for United Parcels. The NCB Pension Fund announced terms for publicly-quoted Drayton Premier.

Leading shares were more quiet but some made limited headway. Revived hopes of increased government spending encouraged Construction issues, probably the session's outstanding sector, while secondary stores as a whole benefited from the Owen Owen takeover offer. Although the FT Ordinary share index lost an early small gain to close 2.2 down on balance at 1,048.6 business overall was considered satisfactory for the first session of a new trading account.

FNFC up again

First National Finance Corporation again stood out in the banking sector, with a fresh gain of 8 to a 1985 peak of 162p on mounting speculation of a bid from Bats. Elsewhere, Rothschild attracted renewed support and closed 2 dearer at 113p with the Warrants, the same amount better at 44p, but Henry Ansbacher came on offer and cheapened 2 to 60p. The clearers were virtually ignored. NatWest softened 2 to 693p.

Lloyds Brokers made progress in Insurances. Sturge added 10 to 375p as did Steel Burrill to 444p, while PWS International gained 5 to 250p and Willis Faber the same amount to 753p. Minet edged forward a couple of pence to 234p in reply to Press comment.

The two newcomers to the Unlisted Securities Market made quiet debuts. Gibbon Lyons closed at 73p and Metsec at 70p compared with the respective placing levels of 72p and 67p.

Leading Breweries, having displayed scant alteration throughout the house session, attracted occasional interest after-hours and Bass rose 5 to 643p, while Allied-Lyons put on 3 to 270p. Regionals featured Vaux, finally 11 higher at 368p. Distillers touched a new high of 445p following weekend Press coment concerning Argyll's future intentions, but later reverted to Friday's 440p. Press mention was also responsible for a gain of 4 to 165p in Invergordon. Revived speculation of a bid from Guinness aided H. P. Bulmer, which closed 7 higher at 175p.

Building shares continued to meet persistent buying which continued into the late dealings. Contracting issues were particularly strong with Costain, up 20 at 526p, and Taylor Woodrow, 18 to the good at 535p. Rugby Portland, 148p, and Blue Circle, 586p, improved around 6 apiece, while RMC put on 4 more to 468p. Marshalls Halifax came to life with a gain of 9 to 181p. Interest also revived in John Maunders 10 to the good at 158p, while Phoenix Timber rose 8 to 120p and Magnet and Southern 6 to 154p xd. In contrast, Ward Holdings, up 34 last Friday, encountered profit taking and touched 242p before reviving on renewed bid speculation to close 10 cheaper on balance at 248p.

Occasional selling coupled with currency influences saw ICI drift lower to close 15 off 642p.

Owen Owen counter-bid

Takeover excitement among secondary Stores continued apace following the agreed counter-bid for Owen Owen from Ward White. The former touched a new peak of 530p before closing 28 to the good at 523p, while Ward White rose 12 to 314p, after 320p. Clayform Properties, original suitors for Owen Owen, were marked up to 255p in immediate response to the news, but finally settled 3 cheaper on balance at 235p. In contrast, Elys of Wimbledon, in which Owen Owen controls a near-30 per cent stake, spurted 30 to 640p xd. Liberty advanced 20 to 830p with the non-voting shares 30 to the good at 630p, while S. Simpson A hardened 10 to 275p. A favourable Press mention lifted A. Goldberg 7 to 74p, after 77p; the interim figures are scheduled for November 13. Cantors leapt 25 to 120p with the A shares another 13 higher at 92p reflecting further strength in the wake of a "buy" recommendation. Buyers also displayed interest in Amber Day, 1½ up at 13p, and James Beattie A, 7 higher at 92p. Revived support in a narrow market lifted Body Shop International 35 more to 850p.

Leading Retailers were relatively subdued, most content to drift easier for want of attention. Marks and Spencer, however, succumbed to more sizeable offerings, closing 5 cheaper at 165p awaiting today's half-timer.

Racal wilted under renewed selling pressure and dropped to a 1985 low of 120p before closing a further 6 down on balance at 122p following adverse comment in the wake of Friday's news of problems at its Racal Milgo data telecommunications subsidiary and, the lowering of profit projections by the company's brokers, Scrimgeour Kemp Gee. Plessey, meanwhile, lost 4 to 132p with sentiment here still depressed by the company's unsuccessful attempt in securing a lucrative U.S. defence contract. British Telecom, on the other hand, rose 3 to 187p, after 188p, in reply to a week-end Press report that the group is likely to be cleared by the Monopolies Commission in its bid to buy 51 per cent of Mitel, the Canadian concern; the latter lost 6 at 418p. Among secondary Electricals, VG Instruments rose 12 to 340p, after 345p, reflecting revived speculation concerning Bats' sizeable stake in the company, while Oxford Instruments, at 350p, recorded a Press-inspired rise of 10. Amstrad put on 6 to 174p, also after a newspaper mention.

Engineerings enjoyed a lively trade, although the leaders were overlooked. Adwest, reflecting demand from Birmingham advanced 17 to 210p, while Press mention stimulated fresh buying of Thomas Locker issues; the Ordinary improved 4 to 38p and the A 3 to 31p. Hopkinson responded to the interim results with a further gain of 4 at 166p. ML Holdings were good and put on 7 more to 337p, while Wellman stood out among smaller-priced issues with an improvement of 2 to 14½p. In contrast, Clayton Son dipped 27 further to 10p on the half-year loss.

Takeover speculation continued to provide the stimulus in the Food sector. Old favourites such as RHM, at 170p, and Tate and Lyle, at 503p, rose 3 and 7 respectively. Glass Glover moved up 4 to 232p following Press suggestions of a bid from A. Fisher. Carrs Milling advanced 7 to 165p following newspaper comment.

Renwick Group good

Renwick Wilton featured a rise of 35 to 300p in response to sharply increased half-year profits. United Parcels were also outstanding at 145p, up 32, after the agreed bid from Bunzl. Renewed speculative demand lifted Bridon 8 to 122p and European Ferries 4 to 156p, after 160½p. Noteworthy gains in response to favourable week-end Press mention included Belgrave Holdings, 12 up at 112p, Colorall, a like amount dearer at 240p, Diamond Stylus, 7 to the good at 37p, and Dominion International, also 7 better at 105p. Renewed investment support left Rank Organisation 15 higher at 465p, after 470p, but Henry Boot, still reflecting the £4.8m first-half loss and reduced interim dividend, fell 16 more to 280 xd for a two day fall of 94. Prestwich, in reply to bumper annual results and a proposed one-for-one scrip issue, advanced 14 to 196p. Other good spots included Granada, 10 firmer at 208p, and BBA, 8 higher at 128p. Most leading miscellaneous industrials showed little alteration, but Metal Box attracted buying ahead of the interim figures, due later this month, and rose 11 to 528p. BTR, helped by interim figures from subsidiary Thomas Tilling, improved 9 to 380p.

Two contrasting features emerged in Properties on trading statements. Samuel dropped 7 to 176p, after 175p, following disappointment with the annual results and asset-value, but Allied London firmed 4 to 120p in reply to higher profits and a proposed 50 per cent scrip issue.

Drayton Premier spurted 69 to 515p — a premium of 15 on the offer from the National Coal Board pension funds. The bid for Drayton Premier stimulated enthusiasm for other Investment Trusts with Drayton Consolidated 14 higher at 328p, and English and International 9 to the good at 132p. Gresham House rose 10 to 255p.

Financials also provided numerous noteworthy features. Britannia Arrow touched 144p before settling 9 higher on balance at 140p following the rejection of the long-awaited bid from minority shareholders Guinness Peat, 2 up at 77p, after 79p. Britannia Arrow Warrants rose 6 to 46p. Comment in the weekend press prompted fresh support of Exco International, 12 up at 220p, and London Investment Trust, 4 better at 30p.

Oils edge higher

The leading oils generally managed to record minor gains in quiet trading. Elsewhere, Charterhall were prominent and improved 4 to 35p. Vague takeover rumours helped North Sea and General edge up 5 to 88p.

Australia's Claremont Petroleum benefited from favourable Press comment and moved up 7 to 88p. Oil Search, however, came under renewed pressure awaiting news from its Papua New Guinea oil exploration well and dipped 3½ to 35½p.

Overseas Traders highlighted Paterson Zochonis, which advanced 20½ to 206p xd following press comment; the shares have risen from 158p since the announcement of excellent preliminary results on October 15.

Cons Gold active

Interest in mining markets was largely centred on Consolidated Gold Fields after the flurry of buying interest late on Friday which was accompanied by widespread rumours of a consortium bid of 650p a share. Gold Fields opened higher at 470p, helped by widespread press comment on the takeover speculation, but thereafter drifted back on profit-taking to close 19 up at 465p.

Continuing nervousness about the possibility of a steep decline in tin prices when the London Metal Exchange eventually resumes trading in the metal caused renewed weakness in tin shares. Cornish tin producer Geevor dipped to a year's low of 132p prior to rallying and settling 5 off at 135p, a decline of 32 during the last two trading sessions. Ayer Hitam dropped 10 to 215p, Tronoh 5 to 175p and Malaysian Mining 3 to 30p.

South African Golds resumed their recent downturn. Selling pressure was by no means heavy but continuing worries over the current bouts of civil unrest and an initial decline in the Financial Rand were sufficient to prompt persistent small offerings, despite a steady bullion price. The latter ended the day a net $1 firmer at $326.75 an ounce.

Randfontein showed a £1 fall to £46 and among other leading issues, losses in the region of ½ were common to Buffels, at a 1985 low of £15½, Vaal Reefs, £39½, Western Deep, £19¾, and President Brand, £11½. In the cheaper-priced stocks, Durban Deep lost 31 at 456p, Libanon 43 to 844p and Western Areas 7 to 163p. South African Financials provided a handful of firm spots, most notably Transvaal Consolidated Land, which improved £1 to £17 ahead of tomorrow's interim figures.

An easier trend in overnight Sydney and Melbourne markets promoted a cautious London session in Australians. Concern over the suspension of tin trading on the LME unsettled tin-producer Renison, down 10 more at 275p. Top-quality diversified stocks showed minor movements in either direction but one or two of the second-line Golds attracted renewed support, especially Car Boyd, 5 better at 92p and Metana Minerals, which improved 6 to 136p.

FINANCIAL TIMES STOCK INDICES

	Oct. 28	Oct. 25	Oct. 24	Oct. 23	Oct. 22	Oct. 21	year ago
Government Secs	83.60	84.04	84.35	84.47	84.47	84.53	80.76
Fixed Interest	89.52	90.02	90.35	90.38	90.35	90.34	83.85
Ordinary ♥	1048.6	1050.8	1051.6	1051.3	1041.0	1048.0	878.2
Gold Mines	252.3	257.1	262.5	250.2	253.8	272.7	519.2
Ord. Div. Yield	4.59	4.58	4.59	4.59	4.63	4.65	4.85
Earnings, Yld. %(full)	11.23	11.22	11.23	11.24	11.35	11.38	11.52
P/E Ratio (net) (*)	10.99	11.01	10.99	10.96	10.86	10.85	10.42
Total bargains (Est.)	24,219	24,771	22,052	25,142	24,135	24,253	19,476
Equity turnover £m.	—	479.35	478.88	416.2	412.74	352.75	198.40
Equity bargains	—	27,006	24,366	21,837	22,431	24,257	16,720
Shares traded (ml)	—	391.9	239.3	202.1	199.3	177.8	120.6

10 am 1049.8. 11 am 1051.6. Noon 1052.4. 1 pm 1052.1.
2 pm 1052.0. 3 pm 1052.0. 4 pm 1049.0.
Day's High 1052.4. Day's Low 1046.8.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
*Nil=10.60.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.67 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (25/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1051.6 (24/10)	911.0 (25/7)	1051.6 (24/10/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	250.2 (23/10)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Oct. 25	Oct. 24
Daily		
Gilt Edged Bargains	123.6	105.7
Equities Bargains	175.0	157.9
Equities Value	968.8	955.8
5 day Average		
Gilt Edged Bargains	119.6	126.7
Equities Bargains	155.4	149.4
Equities Value	862.6	874.6

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 21	Nov 1	Jan 23	Feb 3
Nov 4	Nov 15	Feb 6	Feb 17
Nov 18	Nov 29	Feb 20	Mar 3

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Molins, Olives Paper Mill, S. & W. Berisford, Sound Diffusion, STC, Holt Lloyd, Amstrad, Celtic Haven, Pavion, Distillers, John Brown, Falcon Resources, Jonas Woodhead, IBL, H. Young and Cadbury Schweppes. No puts were done, but doubles were taken out in Polly Peck and Celtic Haven.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	108	0
Corpns Dom & Foreign Bonds	5	45	31
Industrials	459	269	758
Financial & Props	192	63	305
Oils	25	24	78
Plantations	2	7	9
Mines	39	56	92
Others	43	86	87
Totals	765	658	1,360

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Adwest	210	+17
Barker & Dobson	13¾	+ ¾
Britannia Arrow	140	+ 9
Cantors A	92	+13
Drayton Premier	515	+69
European Ferries	156	+ 4
Guinness Peat	77	+ 2
Owen Owen	523	+28
Rank Organisation	465	+15
Samuel Props.	176	− 7
Ward Hldgs.	248	−10
Ward White	314	+12

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri's close	Day's change
Racal Elects.	32	128	−14
Distillers	25	440	+10
Ward Hldgs.	25	258	+34
Euro. Ferries	23	152	+ 1
Cooper Inds.	22	24½	+ 3
Britannia Arrow	20	131	+ 4
Owen Owen	18	495	+20
STC	18	74	− 2
Babcock Intl.	17	161	+13
Berisford (SW)	16	177	− 3
Energy Capital	16	70	+ 2
GEC	15	180	− 2

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C $320	200	9.40	—	—	—	—	$327.10

TOTAL VOLUME IN CONTRACTS: 35,634
A=Ask B=Bid C=Call P=Put

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Oct 28 1985 — Fri Oct 25 — Thurs Oct 24 — Wed Oct 23 — Year ago (approx.)

FIXED INTEREST

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
95	F.P.	7/11	105	97	AMS Inds. 5p	104	+1	b51.25	6.0	1.7	16.9
—	F.P.	9/10	7	6	Bardsey Pfd. Ord.	6½	.....	—	—	—	—
—	F.P.	—	3	3	Do. Warrants	3	.....	—	—	—	—
185	100	1/11	148	117	Britoil 10p	132	+2	t13.0	3.0	8.5	5.2
90§	F.P.	5/11	122	98	✱Colorgen Inc. $0.01	105	−10	—	—	—	—
125§	F.P.	8/11	138	125	✱C.P.M. 5p	126	.....	bg1.75	3.7	2.0	18.0
488	F.P.	8/11	96	91	✱Cowells	93	.....	bg2.6	2.6	4.1	13.4
160	F.P.	6/12	170	160	Davidson Pearce 10p	166	.....	bg2.5	3.7	2.2	17.9
§75	F.P.	1/11	76	70	✱Electronic Data 5p	73	−2	bg1.6	4.9	3.1	11.0
120	F.P.	18/11	110	104	Fairbriar 10p	108	.....	bg4.0	2.7	5.3	—
§72	F.P.	—	—	—	Gibbon Lyons 10p	73	.....	bd38.2	1.8	8.9	13.3
§94	F.P.	30/10	98	78	✱InfraRed $0.10	90	.....	Q2.15c	—	1.7	—
§62	F.P.	8/11	63	50	✱Just Rubber 10p	58	.....	61.74	3.2	4.3	23.4
§79	F.P.	8/11	87	80	✱Kewill Systems 5p	85	+1	81.2	4.5	2.1	16.1
§67	F.P.	—	—	—	✱Metsec 10p	70	.....	bg24.6	2.4	5.0	11.8
100	50	15/11	47	43	Nat. Home Loans 75p	45	.....	—	—	—	—
¶¶	F.P.	—	—	—	Nevi Baltic 5p	115	.....	Hg2.47	—	3.1	—
§180	F.P.	25/10	187	165	✱Questel 10p	177	.....	bg4.0	3.5	3.2	12.7
§95	F.P.	8/11	100	90	✱Radius 5p	95	−5	bg2.86	2.3	4.0	15.2
¶330	F.P.	1/11	445	343	St. Ive's 10p	445	+27	bg8.0	3.1	2.6	15.2
§175	F.P.	22/11	192	186	✱Shandwick 5p	186	.....	u3.68	2.2	2.8	24.1
100	F.P.	29/11	99	97	Strata Invs.	99	.....	—	—	—	—
**	F.P.	—	24	15	Vantage Secs. Wrrnts	24	.....	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
87.305	£30	—	32½	29⅝	Australia 9½% Ln. 2012	31⅛	−½
§91.443	£30	17/1	29⅝	27½	Bank of Greece 10¾% Ln. 2010	28⅝	−⅜
¶¶	F.P.	—	100	100	Bremner 10% Cnv. Uns. Ln. 1995	100	.....
‖	Nil	25/11	30pm	10pm	Brit. Benzol 13% Conv. Uns. Ln. 1995	30pm	+8
§96.468	£25	27/11	26⅛	25⅝	Brixton Est. 10¾% 1st. Mort. Deb. 2025	27¾	−¼
§100	£10	28/11	10⅞	10½	EastbourneWater 11.2% RedDeb. 2005/9	10½	−⅜
§98.324	£40	3/12	44¼	40¾	Est. & Gen. Inv. 11¼% 1st Mort. Deb. 2015	43¼	−⅜
§97.617	£25	31/1	27¾	25¾	Evans of Leeds 11% 1st. Mort. Deb. 2025	27	−⅝
—	F.P.	—	101½	100½	Hampton Tst. 11¼% 1st Mtg Deb 2025	100½	−¼
86.466	£30	24/1	32⅛	29⅝	Intl. Bk. for Rec. & Dev. 9½% Ln. 2010	31¼	−½
§100	F.P.	—	116	84½	✱Memory Comp. 7.9% Cnv. R. Pf. 1994/8	112	+2
100	£50	15/11	50	47	Nat. Home Loans 8% Cnv. Uns. Ln. 2005	48	.....
—	F.P.	—	100⅛	99¾	Nationwide 11⅛% Bds. 15/9/86	99¾	−⅛
—	F.P.	—	99½	99¾	Do. 11¼% Bds. 20/10/86	99¾	−⅛
¶¶	F.P.	—	100	100	Nevi Baltic 7% Cnv. Cum. Red Prf.	100	.....
§98.43	£25	21/2	25⅝	25	Peachey Prop. 10⅞% 1st Mort. Deb. 2015	25	−¼
**	F.P.	22/11	115	110	Pittard 9¼% Cum. Pref.	115	.....

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
DM190	Nil	—	90pm	56pm	BASF A.G. DM 50	70pm	−½
11	F.P.	11/11	11¼	10½	Blacks Leisure 10p	10½	.....
55	Nil	—	11pm	8pm	Braeway 10p	10½pm	.....
48	F.P.	22/11	65	57	Burns-Anderson 10p	59	−1
85	F.P.	11/11	125	106	City Site Estates	125	.....
60	Nil	21/11	22pm	15pm	Crowther (J)	19pm	+1
165	F.P.	5/11	222	180	DRG	222	+1
210	F.P.	22/11	246	240	Emess Lighting	246	.....
100	Nil	—	36pm	28pm	Garfunkels' Rest. 10p	36pm	.....
6	Nil	30/10	12pm	3pm	Howard & Wyndham 5p	12pm	.....
10	F.P.	12/11	21	10	✱Humberside Elect. 20p	10	.....
225	F.P.	6/12	335	280	ML Hldgs	335	+10

For Greenfields Black see Blacks Leisure.

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (181)

LOANS (3)
CANADIANS (1)
BANKS (5)
BREWERS (7)
BUILDINGS (18)
CHEMICALS (3)
STORES (17)
ELECTRICALS (8)
ENGINEERING (8)
FOODS (11)
HOTELS (2)
INDUSTRIALS (32)
INSURANCE (4)
LEISURE (2)
MOTORS (2)
PAPER (2)
PROPERTY (13)
SOUTH AFRICANS ( )
TRUSTS (39)
OILS (2)
OVERSEAS TRADERS (2)

NEW LOWS (70)

BRITISH FUNDS (1)
Conversion 9½pc '05
INTL. BK. & O'SEAS GOVT. STLG. ISS. (1)
Finland 14½pc Ln '86
AMERICANS (6)
Amax, Amdahl, Amer. Tel. & Tel., Bethlehem Steel, GATX, Rockwell Intl.
CANADIANS (3)
Canadian Pacific, Inco, Trans. Can. Pipe
BANKS (1)
MCorp
STORES (1)
House of Lerose
ELECTRICALS (5)
Comsoft, Cranbrook Elect., Grosvenor Group, Murray Electronics, Norbain Electronics, Petbow, Philcom, Racal Elects., Do. 7pc Cnv. Ln. 2009-14
HOTELS (2)
Aberdeen Stk. Hses., Kennedy Brookes
INDUSTRIALS (5)
Betpak, Elkem AS, Ovenstone Invs., Pritchard Services, Securiguard
INSURANCE (1)
Abbey Life
LEISURE (3)
Piccadilly Radio, 21st Century Dist., Scabro
PAPER (2)
Moss Advertising, Ogilvy
SOUTH AFRICANS (6)
Gold Fields Prop., Messina, OK Bazaars, SASOL, SA Breweries, Tongaat-Hulett
TEXTILES (1)
Shaw Carpets
TRUSTS (1)
Pacific Assets Trust
OILS (5)
Conroy Pet Nat Res, Floyd Oil, Goal Petroleum, Intercontl. Energy, Monarch Petroleum
OVERSEAS TRADERS (1)
Finlay (James)
PLANTATIONS (1)
Anglo-Indonesian
MINES (21)

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*565)	500	80	90	—	3	7	—
	550	40	50	60	12	25	30
	600	14	24	32	37	50	63
Cons. Gold (*464)	390	90	100	—	8	[illegible]	[illegible]
	420	63	77	80	10	[illegible]	[illegible]
	460	42	58	60	22	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
P. & O. (*431)	390	45	57	62	3	7	12
	420	20	33	45	6	18	27
	460	3	14	22	35	36	45
Racal (*122)	130	5	12	20	12	16	18
	140	3	8	13	22	24	26

October 28 Total Contracts 9,627 Calls 6,276 Puts 3,351
*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Oct. 28	Price Sch%	+ or —
Creditanst'lt ppd	365	......
Goesser	490	—5
Interunfall	1,400	+20
Laenderbank	328	—4
Perlmooser	638	
Stey-Daimler	145	—1
Veitscher Mag	719	......

BELGIUM/LUXEMBOURG

Oct. 28	Price Frs.	+ or —
B.B.L.	2,455	+50
Banq. Gen. Lux	8,450	......
Banq. Int.A.Lux	8,100	+20
Bekaert	7,300	+100
Ciment CBR	2,730	—20
Cockerill	205	—18
Delhaize	8,550	......
EBES	3,570	—65
Electrobel	10,425	—475
Fabrique Nat.	2,285	—85
GB Inno BM	4,970	—80
GBL (Brux)	2,450	—70
Gevaert	4,455	—315
Hoboken	5,750	—150
Intercom	2,635	—115
Kredietbank	10,000	......
Pan Hldgs	9,470	......
Petrofina	6,410	—170
Royale Belge	15,000	—150
Soc. Gen. Banq	4,100	......
Soc. Gen. Belge	2,280	—10
Sofina	8,380	—120
Solvay	5,650	—220
Stanwick Intl	1,170	......
Tractionel	4,630	—120
UCB	5,450	—150
Wagon Lits	4,270	......

DENMARK

Oct. 28	Price Knr %	+ or —
Andelsbanken	380	—4
Baltic Skand	615	......
Cop Handelsb'nk	385	—5
D. Sukkerfab	495	—5
Danske Bank	364	—4
De Danske Luft.	1,480	......
East Asiatic	259	+2
Forenede Brygg.	1,075	......
Forenede Damp.	241	—14
GNT Hld	560	—20
I.S.S.B.	640	......
Jyske Bank	710	—10
Novo Inds	1,285	—5
Privatbanken	325	—4
Provinsbanken	520	......
Smidth (F.L.) B	336	—9
Sophus Berend	1,105	......
Superfos	393	—7

FRANCE

Oct. 28	Price Frs.	+ or—
Emprunt 4½% 1975	1,557	+2
Emprunt 7% 1973	8,065	—18
Accor	265	+3.5
Air Liquide	542	—3
BIC	464	—1
Bongrain	1,443	—51
Bouygues	717	—6
BSN Gervais	2,303	+3
CIT Alcatel	1,180	—7
Carrefour	2,384	—1
Club Mediter'n	447	+4.5
Cie Bancaire	697	+7
Cofimeg	288.2	+0.2
Damart	1,520	+10
Darty	1,555	—25
Dumez S.A.	749	+9
Eaux (Cie Gen)	655	......
Elf-Aquitane	184	......
Essilor	1,820	—10
Gen.Occidentale	654	......
Imetal	71.5	—2.0
Lafarge Coppee	541	+6
L'Oreal	2,356	—13
Legrand	2,038	+8
Maisons Phenix	171	......
Matra S.A.	1,465	—35
Michelin B	1,119	+9
Midi (Cie)	3,290	+55
Moet-Hennessy	1,941	+6
Moulinex	57	+2.6
Nord Est	106.3	—1.1
Pernod Rica	707	+6
Perrier	438	+18
Petroles Fra.	271	+8
Peugeot S.A.	398	+3
Printemps (Au.)	286.5	......
Radiotech	341	—3
Redoute	1,560	+20
Roussel-Uclaf	1,470	—26
Sefimeg	353	......
Skis Rossignol	1,280	+10
Telemec Elect	2,840	+10
Thomson (CSF)	560	+18
Valeo	249	+4

GERMANY

Oct. 28	Price Dm.	+ or —
AEG	257	+15.5
Allianz Vers	1,785	—15
BASF	267	—3
Bayer	257	—2.9
Bayer-Hypo	428.5	+2
Bayer-Verein	430	+4
BHF-Bank	387	—2
BMW	504	+1
Brown Boveri	281.5	—1.5
Commerzbank	260	—1
Cont'l. Gummi	163	—2.5
Daimler-Benz	1,075	+1.5
Degussa	485	—11
D'sche Babcock	215	+14
Deutsche Bank	675.5	—4
Dresdner Bank	336	—2
GHH	216	—0.5
Hochtief	815	+15
Hoechst	256.8	—1.7
Hoesch Werke	160.3	+1.5
Holzmann (P)	516	—6
Horten	214	......
Hussel	361	—9
Karstadt	288	+1
Kaufhof	322	—7
KHD	312	—3
Kloeckner	89.5	+1.8
Linde	598	—0.5
Lufthansa	220	—3.5
MAN	197	+1.5
Mannesmann	255	—6
Mercedes Hld	978	+10
Metallgesell	382	—21
Muench Rueck	2,350	+245
Nixdorf	573	+1.5
Porsche	1,345	—9
Preussag	290	—6.5
Rhein West Elect	210	+2
Rosenthal	308	+1
Schering	650	+25
Siemens	655	—1.1
Thyssen	166.7	—1
Varta	284	—1
Veba	270.2	—5.3
V.E.W.	143.2	+1.8
Verein-West	356	—3
Volkswagen	366.5	—1.5

ITALY

Oct. 28	Price Lira	+ or —
Banco Com'le	24,300	+310
Bastogi-IRBS	419	—5.75
Centrale	3,496	+86
C.I.R.	6,000	+50
Credito Italiano	3,270	+35
Fiat	4,545	+88
Generali Assicur.	63,510	+710
Italcementi	47,300	+780
La Rinascente	926	+6
Montedison	2,460	+120
Olivetti	7,350	+141
Pirelli Co	6,445	+225
Pirelli Spa	3,149	+99
Saipem	7,021	+61
Snia BPD	4,023	+118
Toro Assic	20,050	+950

NETHERLANDS

Oct. 28	Price Fls	+ or —
ACF Holding	244	—4
AEGON	98	—1
Alhold	275.5	+0.5
AKZO	126.2	—0.6
ABN	527	+2
AMEV	74.6xc	—1.0
AMRO	91.1	+0.9
Bredero Cert	173.5	+2.5
Bos Kalis Westm.	15.6	......
Buehrmann-Tet.	108.5	—0.5
Calland Hlgs	28	—0.2
Dordtsche Pet'm	174.7	—1.0
Elsevier-NDU	143	—2.5
Fokker	81.3	+1.2
Gist Brocades	236	—2.2
Heineken	180.3	......
Hoogovens	65.7	+0.5
Int Mueller	62	—0.4
KLM	52.3	—2.6
Naarden	50.8	+1.2
Nat Ned Cert	73.6	—1.0
Ned Mid Bank	203	—0.5
Nedlloyd	182.5	—0.5
Oce Grinten	383	—1
Ommeren (Van)	26.9	+0.1
Pakhoed	72	—0.2
Philips	49.3	—0.1
Robeco	77.7	......
Rodamco	135.2	......
Rolinco	70.5	+0.1
Rorento	46.8	—0.2
Royal Dutch	187.5	—0.9
Unilever	341.5	+2.8
VMF Stork	248.2	—0.8
VNU	255.5	—1.0
Wessanen	211.2	+2.7
West Utr Bank	94.5	+0.5

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Oct. 28	Price Kroner	+ or —
Bergens Bank	160	+1
Borregaard	445	—1
Christiania Bank	165	+2.5
DenNorske Cred	167	+4.5
Elkem	103.5	—6
Kosmos	188	+1.5
Kvaerner	187	—1.5
Norske Data	411	+3
Norsk Hydro	145	+3.5
Storebrand	281	+1

SPAIN

Oct. 28	Price Pta%	+ or —
Bco Bilbao	377	—7
Bco Central	327	+2
Bco Exterior	205	......
Bco Hispano	162	......
Bco Popular	365	—5
Bco Santander	374	+2
Bco Vizcaya	528	+3
Dragados	145	—6
Hidrola	85.5	+0.5
Iberduero	101.5	+0.5
Petroleos	146.5	+1.5
Telefonica	128	—0.7

SWEDEN

Oct. 28	Price Kronor.	+ or —
AGA	149	......
Alfa-Laval B	227	+8
ASEA (Free)	290	+2
Astra (Free)	450	+15
Atlas Copco	137	+1
Cardo (Free)	221	—1
Cellulosa	142	—2
Electrolux B	167	+1
Ericsson B	207	+3
Esselte	360	......
Mo och Domajo	165	......
Pharmacia	178	+6
Saab Scania Free	425	......
Sandvik	300	+5
Skandia	259	+2
Skan Enskilda	60	+1.5
SKF	254	+1
St Kopperbergs	150	—2
Soneson	170	+11
Sven Handlesbn	195	+3
Swedish Match	218	......
Volvo B (Free)	237	+2

SWITZERLAND

Oct. 28	Price Frs.	+ or —
Adia Intl.	4,350	—45
Alusuisse	685	—5
Bank Leu	3,850	—50
Brown Boveri	1,740	—20
Ciba Geigy	3,375	—105
do. (Part Certs)	2,770	—30
Credit Suisse	3,160	—40
Elektrowatt	3,440	—10
Fischer (Geo.)	1,100	—30
Hoff-Roche PtCts	104,250	—3825
Hoff-Roche 1/10	10,450	—325
Jacobs Suchard	7,700	—150
Jelmoli	3,450	+20
Landis & Gyr	2,200	—25
Nestle	7,600	—150
Oer-Buehrle	1,480	—20
Pirelli	400	......
Sandoz (Br)	8,800	+50
Sandoz (Pt Cts)	1,520	+5
Schindlr (PtCts)	810	—5
Sika	1,720	......
Surveillance A	5,785	—25
Swissair	1,565	+25
Swiss Bank	509	—4
Swiss Reinsce	11,700	—300
Swiss Volksbk	2,160	—70
Union Bank	4,725	—35
Winterthur	4,890	—60
Zurich Ins.	5,510	—80

AUSTRALIA

Oct. 28	Price Aust $	+ or —
ANZ Group	5.08	—0.02
Alliance Oil Dev.	1.05‡	......
Ampol Pet.	2.52	......
Ashton	1.01	+0.01
Aust. Cons. Ind.	3.1	+0.02
Aust. Guarantee	2.85	—0.01
Aust. Nat. Ins.	2.94	+3.01
APM	3.08	+0.02
Bell Group	11.6	......
Bell Res	10.85	—0.05
Bond Corp Hldgs	2.35	......
Boral	2.35	+0.02
Bougainville	2.00	—0.08
Brambles Inds	4.35	—0.08
Bridge Oil	3.35	+0.02
B. H. Prop.	8.82	—0.26
BRA	5.74	—0.02
CSR	3.58	—0.04
Castlemaine Tys	8.1	+0.1
Coles (G.J.)	4.38	—0.01
Comalco "A"	1.85	—0.05
Consolidated Pet	0.45	......
Costain Aust.	2.4	—0.05
Dunlop Olympic	2.70	—0.02
Elders IXL	3.86	—0.08
Energ Res	1.72	—0.05

AUSTRALIA (continued)

Oct. 28	Price Aust.$	+ or —
Gen. Prop. Trust	2.1	—0.04
Hardie (James)	3.53	—0.02
Hartogen Energy	2.4	+0.05
Herald W'yTimes	6.0	+0.2
ICI Aust	2.22	—0.05
Jimberlana F.P.	0.3	—0.02
Kia Ora Gold	0.14	+0.01
Lend Lease	6.6	—0.24
MIM	2.66	—0.04
Mayne Nickless	3.3	—0.06
Myer Emporium	3.6	......
Nat. Aust. Bank	4.95	—0.05
News	8.7	—0.1
Nicholas Kiwi	2.6	+0.1
North Bkn Hill	2.46	—0.09
Oakbridge	1.6	......
Pancontinental	1.87	—0.01
Pioneer Conc	2.45	—0.1
Poseidon	3.75	......
Queensland Coal	1.55	+0.01
Reckitt & Colman	3.95	......
Repco	1.50	......
Santos	5.54	+0.04
Smith (Howard)	6.3	......
Thos. Natwide	2.48	......
Tooth	5.6	......
Vamgas	3.6	—0.05
Western Mining	3.64	—0.02
Westpac Bank	5.1	—0.1
Woodside Petrol	1.4	—0.01
Woolworths	3.42	+0.02
Wormald Intl	3.85	—0.05

HONG KONG

Oct. 28	Price H.K.$	+ or —
Bank East Asia	22.8	—0.5
Cheung Kong	19.3	—0.2
China Light	16.7	—0.4
Evergo	0.68	—0.05
Hang Seng Bank	45.75	—0.25
Henderson Land	2.25	—0.02
HK China Gas	11.2	—0.1
Hk Electric	8.2	......
HK Kowloon Wh.	7.1	—0.15
HK Land	6.5	—0.1
HK Shanghai BK.	7.4	—0.05
HK Telephone	9.0	......
Hutchison Wpa	25.3	—0.3
Intnl. City	0.97	—0.01
Jardine Math	12.6	—0.2
New World Dev	8.0	—0.1
Orient O'seas	1.99	......
SHK Props	13.2	—0.1
Shell Elect	0.92	......
Swire Pac A	27.2	—0.1
TV—B	6.2	—0.05
World Int. Hldgs.	2.27	—0.05

JAPAN

Oct. 28	Price Yen	+ or —
Ajinomoto	1,160	......
All Nippon Air	603	+8
Alps Electric	1,600	+60
Asahi Chem	764	—3
Asahi Glass	860	+10
Bank Tokyo	754	+12
Bridgestone	560	—2
Brother Inds	565	+20
Canon	1,250	+60
Casio Comp	1,880	+60
Daiei	721	—9
Dai-Ichi Kan. Bk.	1,490	—10
Dai Nippon Ink	299	+5
Dai Nippon Ptg	1,120	—10
Diawa House	851	—29
Diawa Sec	822	—23
Eisai	1,300	+40
Fanuc	7,760	+150
Fuji Bank	1,560	+40
Fuji Film	2,120	+40
Fujisawa	860	+19
Fujitsu	999	—1
Furukawa Elect.	348	+4
Green Cross	2,240	+30
Heiwa Real Est	770	—15
Hitachi	740	+15
Hitachi Credit	1,100	+20
Honda	1,230	+10
Indl. Bk. Japan	1,170	+10
Ishikawajima Hr.	174	+1
Isuzu Motors	385	+5
Itoh (C)	416	+2
Ito. Yokado	3,120	+80
JAL	6,010	—90
Jusco	915	+4
Kajima	495	—4
Kao Soap	929	+18
Kawasaki Steel	142	—3
Kirin	765	......
Kobe Steel	194	—1
Komatsu	515	—2
Konishiroku	747	+17
Kubota	380	—4
Kumagai	705	—10
Kyocera	4,030	+160
Marubeni	344	—1
Marui	1,485	+30
Mazda Motors	420	......
Meija Seika	555	—5
MEI	1,230	+20
M'bishi Bank	1,460	......
M'bishi Chem	507	+15
M'bishi Corp	593	+3
M'bishi Elect	357	+1
M'bishi Estate	1,060	+20

JAPAN (continued)

Oct. 28	Price Yen	+ or —
MHI	369	—5
Mitsui Bank	1,120	......
Mitsui	425	+9
Mitsui Estate	968	—20
Mitsui Toatsu	229	—3
Mitsukoshi	644	+14
Nikko Sec	780	+15
Nippon Denso	1,450	+10
Nippon Elect	1,200	+50
Nippon Express	597	—16
Nippon Gakki	1,550	+80
Nippon Kogaku	900	+16
Nippon Kokan	138	—2
Nippon Oil	751	—19
Nippon Seiko	492	+8
Nippon Shimpan	720	......
Nippon Steel	163	—6
Nippon Suisan	380	+10
Nippon Yusen	341	—1
Nissan Motor	600	—8
Nisshin Flour	481	+3
Nomura	1,110	—20
Olympus	1,100	+50
Onado Cement	335	—1
Orient Finance	937	—3
Orient Leasing	2,520	+50
Pioneer	1,700	+30
Ricoh	1,080	+50
Sankyo	1,080	......
Sanwa Bank	1,300	......
Sanyo Elect	424	+11
Sapporo	592	+1
Sekisui Prefab	830	—30
Seven-Eleven	9,250	—40
Sharp	882	+27
Shimizu Constn	361	—6
Shionogi	781	+1
Shiseido	1,260	......
Showa Denko	220	+2
Sony	4,050	+160
S'tomo Bank	1,700	......
S'tomo Chem	263	......
S'tomo Corp	721	+5
S'tomo Elect	862	+21
S'tomo Metal	148	+4
Taisei Corp	351	—4
Taisho Marine	570	+2
Taiyo Kobe Bank	728	+20
Takeda	895	+11
TDK	4,250	+100
Teijin	510	—5
Toa. Nenryo	1,050	......
Tokai Bank	1,000	—20
Tokio Marine	931	+18
Tokyo Elect Pwr	2,380	—70
Tokyo Gas	302	—1
Tokyu Corp	517	—14
Toppan Print	898	+5
Toray	525	......
Toshiba Elect	385	+4
Toyo Seikan	1,500	—40
Toyota Motor	1,140	+30
UBE Inds	227	+1
Victor	1,440	+70
Yamaha	680	+15
Yamaichi Sec	705	—10
Yamazaki	916	+16
Yasuda Fire	560	+3

SINGAPORE

Oct. 28	Price $	+ or —
Boustead Hldgs	1.54	—0.03
Cold Storage	3.10	—0.08
DBS	5.65	—0.15
Genting	5.85	—0.20
Haw Par. Bros.	2.17	—0.05
Hong Leong Fin.	2.53	—0.01
Inchape Bhd	2.15	......
Keppel Shipyard	1.20	—0.02
Malay Banking	5	......
Malay Utd. Ind.	2.41	—0.01
Multi Purpose	0.84	......
OCBC	8.40	—0.18
OUB	2.75	—0.05
Public Bank	1.39	—0.05
Sime Darby	1.80	—0.07
Singapore Press.	6.40	—0.10
Straits Trdg.	3.08xc	—0.04
Tat Lee Bk	2.51	—0.02
UOB	3.64	—0.04

SOUTH AFRICA

Oct. 28	Price Rand	+ or —
Abercom	1.70	—0.05
AE&CI	8	......
Allied Tech	52	......
Anglo Am. Coal	52.5	......
Anglo Am. Corp	34.25	+0.25
Anglo Am. Gold	185	—1
Barclays Bank	16.5	—0.3
Barlow Rand	10.50	—0.24
Buffels	76.50	—0.25
CNA Gallo	1.90	......
Currie Finance	4.45	......
De Beers	14.15	+0.15
Driefontein	49.25	—0.25
FS Geduld	69.75	......
Gold Fields SA	35	......
Highveld Steel	5.80	......
Nedbank	9.95	+0.05
OK Bazaars	11.5	......
Protea Hldgs	2.30	......
Rembrandt	45	......
Rust Plat	23.75	......
Safren	11.5	......
Sage Hldgs	9.5	......
SA Brews	6.90	......
Smith (CG)	23	......
Tongaat Huletts	6.15	......
Unisec	5.5‡	......

CANADA

TORONTO

Prices at 2.30pm. October 28

Sales	Stock	High	Low	Close	Chng
4000	Regionl R	475	460	465	+15
51650	Rio Algom	$21½	21	21¼	+¼
4000	Rogers A	$9⅞	9¾	9⅞	
8819	Rogers B f	$12	11½	11⅞	+⅜
810	Roman	$11⅝	11¼	11½	+⅛
1050	Rothman	$32½	32½	32½	−¼
99408	Royal Bnk	$30⅝	30⅜	30½	+⅛
8820	RyTrco A	$20¾	20⅝	20⅝	+¼

[illegible]

MONTREAL

Closing prices October 25

Sales	Stock	High	Low	Close	Chng
1988	ConBath	$16⅝	16⅛	16⅛	−⅛
4652	DomTxtA	$11¾	11⅝	11⅝	+¼
5425	Gaz Metro	$11½	11⅜	11⅜	
63994	NatBk Cda	$20⅛	20	20	
6100	Power Corp	$18⅞	18⅝	18⅞	+¼
130	RollandB	$18½	18½	18½	
21570	Royal Bank	$30⅝	30⅜	30½	−⅜
4260	SteinbrgA	$29½	29	29	+½

[illegible]

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

New York Active Stocks

[illegible]

TORONTO

[illegible]

	Oct. 28	Oct. 25	Oct. 24	Oct. 23	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	1045.8	1052.2	1051.8	1046.7	1052.2 (25/10)	715.3 (7/1)
Metals & Minls.(1/1/80)	524.6	528.5	532.3	530.2	568.8 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	98.03	98.18	98.04	98.82	105.73 (17/8)	56.21 (24/1)
BELGIUM						
Brussels SE (3/1/66)	2718.28	2768.12	2788.91	2756.28	2788.91 (24/10)	2050.7 (18/1)
DENMARK						
Copenhagen SE (3/1/63)	—	258.25	257.57	258.11	257.57 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	218.40	217.20	215.8	211.8	235.1 (31/5)	180.9 (3/1)
Ind Tendance (28/12/84)	122.80	122.20	121.6	118.3	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	574.90	577.21	582.03	576.25	582.03 (24/10)	382.38 (3/1)
Commerzbank (1/12/53)	1707.50	1705.2	1720.1	1704.0	1720.1 (24/10)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1651.26	1671.73	1670.51	1666.71	1711.51 (19/8)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	404.88	398.14	394.29	395.89	415.35 (8/10)	228.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12857.04	12864.58	12969.1	12946.6	13056.5 (15/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1020.9	1016.34	1025.52	1025.75	1057.56 (19/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	224.70	224.0	223.2	218.9	224.70 (28/10)	185.6 (3/1)
ANP-CBS Indust (1970)	204.56	203.2	202.4	197.5	204.56 (28/10)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	381.25	381.38	378.58	377.81	381.38 (25/10)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	772.70	785.92	781.16	774.18	852.65 (7/3)	717.80 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1094.9	1068.3	1108.5	1140.8 (15/4)	829.5 (5/8)
JSE Indust (28/9/78)	—	950.5	968.9	955.8	1056.8 (16/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	125.82	125.87	125.75	125.97	125.97 (23/10)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1446.38	1459.9	1460.72	1408.88	1486.88 (11/2)	1285.32 (9/7)
SWITZERLAND						
Swiss Bank Cpn (31/12/58)	501.20	508.1	506.4	499.6	508.1 (25/10)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	228.5	229.2	229.7	229.7 (23/10)	184.6 (4/1)

** Saturday October 26: Japan Nikkei-Dow 12832.63. TSE 1,034.06.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 41

[illegible]

NYSE COMPOSITE PRICES

Continued from Page 41

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
42⅞	24	WstgE 1.20		2.9	13	3248	42	41⅝	41⅝	−⅜
41⅝	34⅞	Westvc1.32		3.6	9	45	38½	38¼	38½	+¼
34	25¾	Weyerhl.30		5.2	24	x2410	25⅞	d24¾	25	−⅝
40⅝	38⅝	Weyr pf2.80		7.3		8	38¼	38⅛	38¼	+⅛
51⅝	45⅛	Weyr pr4.50		9.4		30	47⅞	47⅝	47⅝	−¼
20¾	6⅜	vjWhPit				130	8⅝	8⅝	8⅝	+½
32½	10½	vjWhPtpf				z860	16	15½	15½	−½
50¾	40½	Whirlpl	2	4.6	9	207	43¾	43½	43½	−⅜
32⅝	25½	WhitC	1.50	4.9		59	31⅛	30¼	30⅝	−⅝
45⅝	36⅝	WhitC pfC 3		7.8		1	38½	38½	38½	−¼
34⅝	19¼	Whitehl			9	25	24⅝	24¼	24¼	−⅜
28½	19⅛	Whitlak .60		2.9	10	118	20⅝	20	20⅝	+½
12⅞	6⅝	Wiebldt		4.0		573	12	10⅞	10⅞	−1⅛
15⅛	8	Wilfred			12	32	11⅞	11⅞	11⅞	
13¾	7⅛	WillcxG .10		.8	5	131	13¼	12¾	12¾	−½
33½	28¾	Willam1.40		4.5	16	785	31⅞	30¾	31⅛	+⅝
5½	2	WilmEl				87	3⅝	3½	3⅝	
7⅛	5⅞	WilshrO.10		1.7		53	6	6	6	−⅛
38⅞	30	WinDix1.74		5.2	13	194	34	33½	33½	−¼
20⅞	8½	Winnbg .20		2.1	8	320	9½	9¼	9⅝	
8¾	5⅛	Winner				202	7¼	7	7	−⅛
8¼	3¼	WinterJ				9	7⅛	7	7⅛	
40½	30¼	WiscEP2.48		6.8	8	1658	36⅝	35⅞	36¼	−⅛
26⅛	23⅛	WisG pf2.55		9.6		2	u26½	26½	26½	+½
40⅝	28⅛	WiscPL2.76		7.7	9	174	35⅞	35½	35¾	−⅛
39¼	29¾	WiscPS2.66		7.6	9	20	37½	37⅛	37½	−⅛
40½	30½	Witco	1.48	4.2	9	76	35½	35¼	35⅝	
14	9½	WolvrW.24		2.0		151	12	11⅞	11⅞	−⅛
53¼	35¼	Wolwth	2	3.9	11	x926	51⅞	51⅜	51⅜	−⅛
75	50½	Wolw pf2.20		3.0		x1	73	73	73	−1⅛
4⅞	2⅜	WrldAr				2	3¼	3¼	3¼	
84¾	54⅛	Wrigly 1.80a		2.2	14	11	81⅛	80⅞	80⅞	−⅝
4¾	2⅞	Wurlitzr				3	3⅛	3⅛	3⅛	
16	10⅝	WyleLb .32		3.0	25	92	10¾	10½	10¾	−⅛
		X Y Z								
55½	35¼	Xerox	3	6.2	13	1428	48½	48⅛	48⅝	−¼
30¼	24⅝	ZaleCp 1.32		4.9	12	26	27	27	27	
18	7¼	Zapata	.12	1.5	55	x581	7⅞	7⅝	7¾	+⅛
57⅝	32⅝	Zayre s	.48	.9	17	1212	54½	54	54¼	−½
25	16¼	ZenithE				838	199	16⅞	16⅝	16¾
21⅞	15¾	Zero s	.36	1.8	16	31	19⅝	19¼	19⅝	+⅛
37⅜	23⅝	Zurnin 1.32		3.8	13	45	34⅝	34⅛	34½	+⅜

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Adwest	210	+17
Amstrad	174	+ 6
Brit Arrow	140	+ 9
Cantors A	92	+13
Carrs Mill	165	+ 7
Costain	526	+20
Diamond St	37	+ 7
Drayton	515	+69
First Nat	162	+ 8
Goldberg (A)	74	+ 7
London Inv	30	+ 4
Marshall H	181	+ 9
Maunders (J)	158xd	+10
Owen Owen	523	+28
Paterson Z	206xd	+20½
Prestwich	196	+14
Rank Org	465	+15
Renwick	300	+35
Taylor Wood	535	+18
Utd Parcels	145	+32
VG Instruments	340	+12
Ward White	314	+12

FALLS		
Tr 10% Cnv '90	£97⅝	− ½
Ex 12% 2013/17	£122⅝	− ⅞
Clayton Son	101	−27
ICI	642	−15
Marks & S	165	− 5
Plessey	132	− 4
Racal Elec	122	− 6
Samuel Prop	176	− 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, October 28

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
56⅝	31⅝	NorfSo	1.60	2.6	8	616	42¾	42⅜	42⅝	−¼
14½	8	NwStW				402	11⅞	11½	11⅝	+⅛
40¾	32⅞	Norton	2	5.8	12	454	34¾	34	34¼	−¼
28¾	21½	Norwst	1.80	7.5	7	76	24⅝	24⅛	24⅜	−⅛
55⅝	48½	Nwst	pf5.40e	10.		1	52	52	52	−½
35	20⅞	Novo	.28e	1.0	11	130	28¾	28⅛	28¼	−⅝
47¼	28¼	Nucor	.40	.9	13	106	44⅛	43½	43⅞	−⅛
7¾	3	NutriS	.08j			48	3⅞	3¾	3¾	
92	71⅝	NYNEX	6.40	7.5	8	1382	84⅞	83⅞	84⅝	+⅞
		O O O								
4¼	1⅛	Oakind				5891	3	2⅝	2⅝	
36½	25¾	OakiteP	1.52	5.1	12	3	30⅛	30	30	
35¼	23⅞	OcciPe	2.50	7.1	6	4544	u35⅜	34⅞	35¼	+¼
15	9⅛	OcciP	wt			274	u15⅛	15	15	
112⅞	85⅝	OcciP	pf3.60	3.2		1	u114	114	114	+1⅝
108½	81⅛	OcciP	pf 4	3.6		1	u110	110	110	+2¼
24¼	20⅜	OcciP	pf2.50	10.		11	u24½	24¼	24½	+½
23⅜	18⅝	OcciP	pf2.30	9.9		20	23¼	23¼	23¼	−⅛
57	48⅜	OcciP	pf6.25	11.		62	58¼	58	58¼	+⅜
113	105¾	OcciP	pf15.50	14.		138	107⅞	107⅛	107⅛	
110½	103⅛	Occi	pf14.62	13.		23	109	108⅞	109	
28⅞	20	ODECO	1	5.1	16	1729	20⅛	d19½	19½	−½
34¼	24⅜	Ogden	1.80	5.8	18	52	31½	31	31⅛	
97½	76	Ogdn	pf1.87	2.1		1	90	90	90	+3
16⅛	12⅝	OhioEd	1.88	12.	6	1203	15¼	15	15⅛	
34	26	OhEd	pf3.90	12.		z200	31¼	31¼	31¼	
28⅛	23⅝	OhEd	pf3.50	13.		8	27⅜	27¼	27⅜	
31⅞	26⅜	OhEd	pr3.92	13.		6	30⅛	30	30⅛	+⅛
16¼	13¼	OhEd	pf1.80	12.		21	15¼	14⅞	15¼	
93	79	OhE	pf10.76	12.		z140	89	89	89	+1
16⅞	10⅞	OhMatr	.40	3.6	14	169	11⅛	11	11⅛	+⅛
71½	56⅞	OhP	pf 8.04	11.		z200	71½	71½	71½	
21⅝	17	OhP	pfG2.27	11.		7	20¾	20⅝	20¾	
111½	99¼	OhP	pfA 14	13.		z270	110	108½	108½	−1½
113	106	OhP	pfF 14	13.		z30	112	112	112	+1½
[illegible]										
22¼	19¾	PNH	pfE			24	20½	20⅜	20½	[illegible]
19⅞	9¾	PNH	pfF			4	17¼	17¼	17¼	−⅛
29½	22⅜	PSvNM	2.92	11.	9	x360	27⅞	27⅜	27¾	+⅛
32½	24⅞	PSvEG	2.84	10.	7	2335	28⅜	27⅞	28¼	+⅛
⅛	3-64	PSEG	rt			22826	⅛	7-64	⅛	+1-32
39	30¾	PSEG	pf4.18	11.		z10	35⅜	35⅜	35⅜	−1⅛
115	102¼	PSEG	pf13.44	12.		73	113¾	110½	113¾	+4¾
20¾	16½	PSEG	pf2.17	11.		305	19½	19½	19½	+⅛
63¼	50¾	PSEG	pf6.80	11.		z870	60½	58½	60½	+2⅛
23¼	18¼	PSEG	pf2.43	11.		2	21½	21½	21½	
109	96⅛	PSEG	pf12.25	11.		z1030	107¾	107	107¾	+2¼
73½	58	PSEG	pf7.80	11.		z340	69½	68¼	69½	+1⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 39

AMEX COMPOSITE PRICES

Prices at 3pm, October 28

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Cautious response to results

THE U.S. Treasury's decision to press ahead with its $17.75bn refunding this week, despite the impasse over the federal debt ceiling and concern over Japanese interest rates, drove U.S. bond prices down yesterday, *writes Terry Byland in New York.*

Long-dated federal bonds extended early losses following the Treasury announcement to show net losses of more than half a point.

At 3pm, the Dow Jones industrial average was down 1.57 at 1,354.95.

The rise in short-term rates in Japan lessens the attraction of U.S. federal bonds for Japanese investors, and could reduce their presence at this week's auctions of U.S. Treasury securities, which begin today with the sale of $6.75bn three-year notes.

Japanese stocks rose sharply as the stronger yen opened up arbitraging opportunities. Matsushita gained $1⅛ to $57⅞, Hitachi $1 to $34⅜ and Sony $¾ to $18½.

The stock market was in a more cautious mood in the wake of disappointing results from the Detroit carmakers and from Texas Instruments. Market indices were helped by improvements in both IBM and General Motors, but the overall picture was mixed, with little sign of upward momentum.

Texas Instruments fell $2⅜ to $90¼ on Friday's disclosure of an $82.8m loss for the third quarter, as well as workforce layoffs. Motorola shed $⅞ to $31⅛ and other microchip manufacturers remained unsettled by the latest industry trends.

However, Wall Street responded favourably to the trading report from Control Data, which added $1 to $18⅜ despite the substantial loss and write-offs for the quarter.

Honeywell, which laid off a small number of workers, was unchanged at $60. IBM added $¾ to $128⅞, Burroughs $½ to $55¼ and NCR $⅛ to $34.

Good results from Chrysler left the stock $¼ higher at $38¼, and the firmer tone spread through the sector. General Motors added $½ to $65⅛ and Ford $⅜ to $45¼.

Stock in U.S. Steel slipped $⅜ to $27⅜ in heavy turnover as Wall Street awaited confirmation that the steelmaker would merge with Texas Oil & Gas in a deal worth around $5bn.

There was also heavy turnover in Texas O&G, with the stock slipping $⅝ to $18⅝.

The major oil industry stocks looked firmer as results were digested. Atlantic Richfield added $¾ to $66⅛ after the trading statement. Standard Oil of Ohio dipped $¼ to $51¾, disappointed at the absence of any move by British Petroleum to buy in the outstanding equity.

Utility stocks shed early gains as bond market yields moved higher. Consolidated Edison, however, edged up $⅛ to $35⅜, spurred on by a huge block trade.

There was widespread profit-taking among airline stocks, although losses were not large. American dipped $½ to $38⅜, and United $⅝ to $46⅞. With bid speculation reduced, Pan Am eased $⅛ to $7⅝.

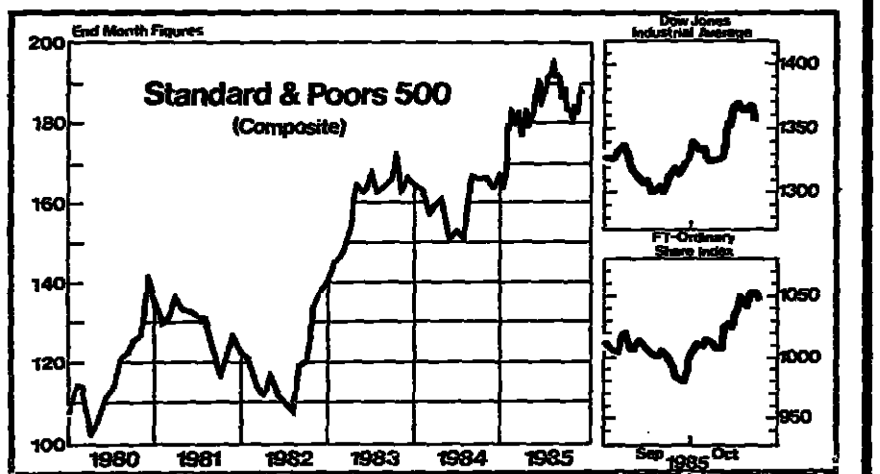
The takeover spotlight was turned off the food and consumer sectors. Beatrice Foods at $44 edged up $⅛ in brisk trading. Quaker Oats at $56¼ eased $⅝. SCM, unchanged at $73, was still awaiting settlement of legal questions posed by rival offers from Unilever and the Merrill Lynch-led management group.

R. H Macy eased $⅞ to $62⅞, as the market waited for the management group to formalise its proposed bid for the shares. Federated Department Stores, a recent bid hope, fell $1⅞ to $63½.

In the credit markets, short-term rates collided behind a Federal Funds rate once more safely below 8 per cent. The Fed drained liquidity with three-day matched sales.

Bond prices continued to sag as buyers backed away in preparation for the Treasury auctions.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 28	Previous	Year ago
NEW YORK			
DJ Industrials	1,354.95*	1,356.52	1,204.95
DJ Transport	644.78*	649.58	522.98
DJ Utilities	159.26*	159.16	141.57
S&P Composite	546.72*	167.52	165.29
LONDON			
FT Ord	1,048.6	1,050.8	878.2
FT-SE 100	1,347.8	1,347.6	1,130.5
FT-A All-share	658.12	656.66	536.30
FT-A 500	719.09	717.66	583.86
FT Gold mines	252.3	257.1	519.2
FT-A Long gilt	10.39	10.25	10.43
TOKYO			
Nikkei	12,937.04	12,854.99	11,155.0
Tokyo SE	1,020.90	1,016.34	850.18
AUSTRALIA			
All Ord.	1,045.6	1,052.2	750.6
Metals & Mins.	524.6	528.5	441.1
AUSTRIA			
Credit Aktien	98.03	98.18	57.00
BELGIUM			
Belgian SE	2,716.28	2,768.12	–
CANADA			
Toronto			
Metals & Mins	1,756.30*	1,746.29	1,940.00
Composite	2,635.20*	2,632.80	2,365.20
Montreal			
Portfolio	126.39*	126.06	116.26
DENMARK			
SE	n/a	239.25	166.79
FRANCE			
CAC Gen	218.4	217.2	183.0
Ind. Tendance	122.8	122.2	98.4
WEST GERMANY			
FAZ-Aktien	574.90	577.21	376.36
Commerzbank	224.7	1,705.2	1,073.6
HONG KONG			
Hang Seng	1,651.25	1,671.73	1,056.84
ITALY			
Banca Comm.	404.08	398.14	210.34
NETHERLANDS			
ANP-CBS Gen	224.7	224.0	180.8
ANP-CBS Ind	204.5	203.2	143.2
NORWAY			
Oslo SE	381.23	381.38	267.06
SINGAPORE			
Straits Times	772.70	785.02	853.48
SOUTH AFRICA			
JSE Golds	–	1,094.9	1,022.3
JSE Industrials	–	950.5	889.3
SPAIN			
Madrid SE	125.82	125.87	102.92
SWEDEN			
J & P	1,448.30	1,439.00	1,462.78
SWITZERLAND			
Swiss Bank Ind	501.2	508.1	380.4
WORLD	Oct 25	Prev	Year ago
Capital Int'l	228.5	229.2	185.4

COMMODITIES

(London)	Oct 28	Prev
Silver (spot fixing)	432.25p	432.40p
Copper (cash)	£968.00	£988.00
Coffee (Nov)	£1,630.00	£1,749.00
Oil (spot Arabian Light)	$27.75	$27.75

GOLD (per ounce)

	Oct 28	Prev
London	$326.75	$325.75
Zürich	$326.75	$326.00
Paris (fixing)	$327.61	$326.52
Luxembourg	$326.50	$326.00
New York (Dec)	$328.7	$329.40

CURRENCIES

(London)	U.S. DOLLAR Oct 28	U.S. DOLLAR Previous	STERLING Oct 28	STERLING Previous
$	–	–	1.4275	1.4225
DM	2.643	2.653	3.7725	3.775
Yen	213.5	214.8	304.75	305.5
FFr	8.055	8.085	11.4975	11.5
SwFr	2.167	2.172	3.0925	3.09
Guilder	2.9815	2.993	4.255	4.2575
Lira	1,782.5	1,787.5	2,544.5	2,542.75
BFr	53.55	53.65	76.45	76.3
C$	1.3658	1.3672	1.95065	1.9446

INTEREST RATES

	Oct 24	Prev
Euro-currencies (3-month offered rate)		
£	11¾	11 11/16
SwFr	4 11/16	4⅝
DM	5 1/16	4⅞
FFr	9 11/16	9¾
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8¼
6-month U.S.$	8⅜	8 5/16
U.S. Fed Funds	7⅞*	7⅞
U.S. 3-month CDs	7.90*	7.99
U.S. 3-month T-bills	7.19*	7.46

U.S BONDS

Treasury	Oct 28* Price	Oct 28* Yield	Prev Price	Prev Yield
8⅝ 1987	99 23/32	8.89	99 21/32	8.89
10⅝ 1992	101 7/32	10.106	101 16/32	10.03
10½ 1995	101 11/32	10.264	101 26/32	10.20
10⅝ 2015	100 30/32	10.518	101 13/32	10.47

Treasury Index Maturity (years)	Return index	Oct 28* Day's change	Yield	Day's change
1–30	129.57	−0.24	9.70	+0.06
1–10	128.33	−0.11	9.39	+0.05
1– 3	125.53	+0.03	8.83	+0.03
3– 5	129.81	−0.13	9.66	+0.06
15–30	133.84	−0.73	10.78	+0.08

Source: Merrill Lynch

Corporate	Oct 28* Price	Oct 28* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100⅝	10.11	101	10.10
3⅞ July 1990	82⅝	8.40	83⅛	8.30
8⅜ May 2000	83⅝	11.10	84	10.97
Xerox				
10⅞ Mar 1993	100⅜	10.62	100½	10.52
Diamond Shamrock				
10⅝ May 1993	98¼	11.00	98½	10.90
Federated Dept Stores				
10⅞ May 2013	94½	11.35	94⅜	11.25
Abbot Lab				
11.80 Feb 2013	103⅝	12.00	103⅝	11.90
Alcoa				
12¼ Dec 2012	98½	12.25	98⅜	12.15

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	76-07	76-19	76-04	76-20
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.88	92.91	92.86	92.89
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.09	92.11	92.09	92.10
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.82	91.82	91.77	91.76
20-year National Gilt £50,000 32nds of 100%				
Dec	112-05	112-18	111-21	112-24

* Latest available figures

LONDON

Weak gilts mar equity enthusiasm

WEAKNESS in gilts, sparked by fears that other members of the Group of Five would follow Japan and raise short-term interest rates, marred an active equity trading session in London yesterday.

Sharp falls affected all gilts with longer-dated issues losing a full point and shorts down by up to ½.

Meanwhile, equity turnover increased with demand for second-line industrial issues and renewed takeover enthusiasm. The FT Ordinary share index slipped 2.2 to 1048.6.

Guinness Peat, up 2p to 77p, launched a contested bid for Britannia Arrow, which added 9p to 140p. Ward White firmed 12p to 314p on its counter-bid for Owen Owen, up 28p at 523p.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37.

SINGAPORE

DISAPPOINTMENT at the lack of new incentives for business in last week's Malaysian budget sparked profit-taking that left Singapore lower in quiet trading.

The Straits Times industrial index lost 12.32 to close at 772.70 in quiet trading. Turnover slipped from Friday's 15.6m to 10.9m.

Smaller, speculative issues were the most active including G. I. Holdings, 6 cents up at S$2.18, Magnum, down 16 cents to S$4.16 and Raleigh, down 14 cents to S$3.52.

The downturn left many other industrials lower, including Cold Storage, which was 8 cents down at S$3.10, Singapore Press, which shed 10 cents to S$6.40 and Sime Darby, down 7 cents to S$1.80.

AUSTRALIA

BHP, which has led Sydney higher for nearly two weeks, depressed the market after ex-dividend trading in the share brought its price down 26 cents to A$8.82.

The All Ordinaries index closed 6.6 lower at 1,045.6.

Profit-taking also hit other industrials which have reached peaks during the recent record trading sessions. Lend Lease lost 24 cents to A$6.60, News Corp was 10 cents down to A$8.70 and Elders IXL lost 8 cents to A$3.86.

Lacklustre world metal prices left minings down.

HONG KONG

THE FIRST decline for two weeks took place in Hong Kong as institutions moved in to take profits.

Dealers blamed the downturn on an expected technical correction. The Hang Seng index fell 20.48 to close at 1,651.25.

Utilities were generally weak with China Light down 4 cents to HK$16.70, and Hongkong and China Gas 10 cents lower at HK$11.20.

Financials followed the trend. Hongkong and Shanghai Bank lost 5 cents to HK$7.40, Bank East Asia was down 30 cents to HK$22.80 and Hang Seng Bank shed 25 cents to HK$45.75.

SOUTH AFRICA

A LACK of fresh incentives left Johannesburg mixed in quiet trading.

Among golds Buffelsfontein and Driefontein were both 25 cents lower at R76.50 and R49.25 respectively, while Gold Fields SA was unchanged at R35.

Mining financial Anglo American added 25 cents to R34.25, diamond share De Beers was 10 cents higher at R14.15 while Rustenburg Platinum was steady at R23.75.

CANADA

SOME confidence returned to Toronto which traded slightly higher after Friday's losses.

Among actives Royal Bank of Canada traded C$⅛ higher to C$30½, John Labatt added C$⅛ to C$29¾, Dominion Textile was C$¼ up at C$12½ and Sears Canada firmed C$⅛ to C$10½. Gulf Canada shed C$⅛ to C$20.

In Montreal industrials were marginally down, banks traded higher and utilities were largely unchanged.

TOKYO

Blue-chip electricals lead rally

A SHARP rally, led by Sony, boosted Tokyo yesterday after the declines of the two previous sessions, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average rose 104.41 to 12,937.04, recouping much of the 136.45 loss of the previous two trading days. Only 245.3m shares changed hands, however, against 366.6m on Friday, as many investors stayed away from the market. Advances outpaced declines 479 to 280, with 142 issues unchanged.

Bond prices continued to decline as the Bank of Japan guided domestic interest rates higher to bolster the yen against the dollar. Bill and call rates soared on Friday to their highest levels since January 1983, discouraging investors in bonds who had been expecting further interest rate falls at home and abroad.

Stock investors adopted a cautious attitude at the beginning of yesterday's trading. But as Sony exceeded the Y4,000 mark, biotechnology, blue-chip electrical and precision instrument stocks rose sharply, boosting the Nikkei index. Sony closed Y160 up at Y4,050.

Because of falling semiconductor demand and Japan-U.S. trade friction, however, most investors were not actively seeking blue chips. A leading brokerage said that investors who had lost on falls in large-capital and domestic demand-related stocks sold their holdings and bought volatile blue chips and biotechnologies to take capital gains.

Blue chips were among the day's most active stocks. NEC, with 6.35m shares traded, rose Y50 from Saturday to Y1,200, Ricoh added Y30 to Y1,080 and Hitachi Y15 to Y740. Minolta gained Y27 to Y992, Shin-Etsu Chemical closed Y35 higher at Y815 and Konishiroku was Y17 higher at Y747.

Fujitsu, which rose Y60 at one stage, came under selling pressure after a mid-term profit decline was announced. It closed Y1 lower at Y999.

Among biotechnology stocks, Mochida Pharmaceutical rose Y190 to Y9,750, Dainippon Pharmaceutical Y50 to Y3,010 and Yamanouchi Pharmaceutical Y30 to Y3,350.

The bond market did not recover from Friday's sharp interest rate increase. The yield on the benchmark 6.8 per cent government bond maturing in December 1994 rose from 6.300 per cent on Saturday to 6.630 per cent, up 1.070 per cent from last Thursday.

On the bond futures market, the Tokyo Stock Exchange widened the limit of daily fluctuations from Y1 to Y3. This helped conclusion of the first contracts for delivery in December, due in three days, at Y96.63, down Y3. However, contracts totalled only Y51bn, with Y850bn worth of sell orders failing to find buy orders.

EUROPE

Profit-taking wave proves a dampener

AFTER last week's widespread demand, a wave of profit-taking swept across Europe yesterday, leaving prices lower.

Brussels fell steeply as the technical reaction took hold and the Brussels stock index lost 51.84 to 2,716.28 on declines in most sectors. The movement, however, had been anticipated following the market's rapid appreciation since the October 13 general election.

Yesterday's falls were prompted by price declines in high-volume shares. Financial holding company Group Bruxelles Lambert shed BFr 70 to BFr 2,450 and market leader Petrofina lost BFr 170 to end at BFr 6,410.

Utilities and chemical issues fell with Intercom closing down BFr 115 at BFr 2,635 and Solvay giving up BFr 220 to BFr 5,650.

The process of consolidation begun in Frankfurt on Friday continued yesterday and prices ended mostly lower. A late recovery brought stocks up from their lows of the day, however.

Speculative stocks were the most active with AEG benefiting from takeover consideration by Daimler Benz to rise DM 15.50 to DM 257.00. Continued market rumours that machinery maker Linde was preparing to buy part of Deutsche Babcock left the latter DM 14.00 firmer at DM 215. The rumours, however, have been denied by both companies.

After surging DM 50 last Thursday on reports that it had developed a substance to kill the Aids virus, Degussa fell DM 11 on profit-taking to stand at DM 485. Other chemicals ended lower with BASF DM 3 off at DM 267, Bayer DM 2.90 at DM 257 and Hoechst DM 1.70 at DM 256.80.

A weaker bond market and stronger local interest rates drove banks lower led by Deutsche Bank with a DM 4 drop to DM 675.50. Dresdner shed DM 2 to DM 336 and Commerzbank DM 1 to DM 260.

Bonds dropped by as much as DM 1.50 as foreign investors sold D-Mark issues on the firm undertone of the dollar. The Bundesbank bought a sizeable DM 71.9m worth of domestic bonds after purchases totalling DM 10.3m on Friday.

Zurich entered a period of cooling off after last week's rallies and prices declined on low volume as investors took to the sidelines.

Shares of retailer Usego, a possible takeover candidate, were temporarily suspended and closed at SwFr 800 against SwFr 685 on Friday.

In transport issues, Swissair moved against the trend to end SwFr 25 up at SwFr 1,565. Despite a favourable outlook, Swiss Volksbank registered a SwFr 70 fall to SwFr 2,160.

Bonds finished steady in light volume with many issues unchanged and most others posting small gains or declines in the absence of any fresh factors.

Late profit-taking in Amsterdam wiped out some of the gains recorded early in the session.

The ANP-CBS general index, calculated at mid-session, did not reflect the later declines and touched a record 224.7, up 0.7 from Friday's previous record.

Unilever was the only market leader to advance at the close, gaining Fl 2.80 to Fl 341.50. Among other blue chips, Akzo eased 60 cents to Fl 126.20, Philips 10 cents to Fl 49.30, Royal Dutch 90 cents to Fl 187.60, and KLM Fl 2.60 to Fl 52.30.

In the banking sector, ABN rose Fl 2 to Fl 527 and Amro gained 90 cents to Fl 91.10 while NMB shaded 50 cents to Fl 203.

Bond prices fell by 30 to 80 cents in slow trading.

Paris rose for the fourth consecutive session as foreign buying interest pushed prices higher.

Thomson-CSF led the electrical sector upwards, with a gain of FFr 18 to FFr 580. The rise followed Friday's news that the group had earned FFr 336m against a year-ago loss of FFr 124m. Moulinex was also higher at FFr 57, up FFr 2.60.

Continued strong buying interest after last week's cut in interest rates left Stockholm mixed to higher with Electrolux, up SKr 1 to SKr 167, topping the actives.

Ericsson added SKr 3 to SKr 207 while Volvo gained SKr 2 to SKr 237.

Milan ended firmer as equity mutual funds appeared to ignore Italy's continuing government crisis and remained steady buyers.

Madrid fell in light trading.